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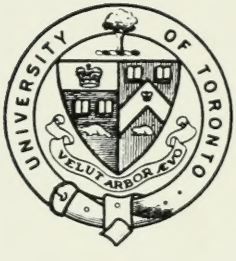

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XXV

THE CHICAGO PRODUCE MARKET

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THE CHICAGO PRODUCE MARKET

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1883-
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BY

EDWIN GRISWOLD NOURSE
Professor of Economics, University of Arkansas

BOSTON AND NEW YORK
HOUGHTON MIFFLIN COMPANY
The Riverside Press Cambridge
1918

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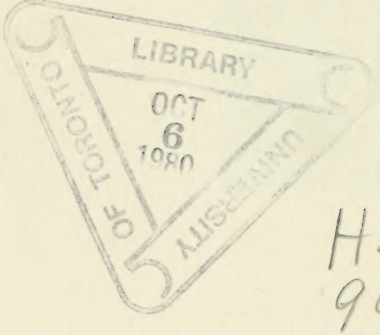

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PREFACE

This series of books owes its existence to the generosity of Messrs. Hart, Schaffner & Marx, of Chicago, who have shown a special interest in trying to draw the attention of American youth to the study of economic and commercial subjects. For this purpose they have delegated to the undersigned committee the task of selecting or approving of topics, making announcements, and awarding prizes annually for those who wish to compete.

For the year ending June 1, 1915, there were offered: —

In Class A, which included any American without restriction, a first prize of $1000, and a second prize of $500.

In Class B, which included any who were at the time undergraduates of an American college, a first prize of $300, and a second prize of $200.

Any essay submitted in Class B, if deemed of sufficient merit, could receive a prize in Class A.

The present volume, submitted in Class A, received honorable mention in that class.

J. Laurence Laughlin, *Chairman*,
University of Chicago.

J. B. Clark,
Columbia University.

Henry C. Adams,
University of Michigan.

Edwin F. Gay,
Harvard University.

Theodore E. Burton,
New York City.

PREFACE

This study was originally undertaken in the political economy seminar of Professor J. Laurence Laughlin at the University of Chicago in the year 1914–15. Subsequently the author undertook the revision of the manuscript under the direction of Assistant Professor Melvin T. Copeland, of the Harvard Graduate School of Business Administration.

Since so much time has elapsed before the publication of the book, it has sometimes been difficult to take account fully of the changes which have taken place in the market and to preserve a unity of viewpoint. The purpose, however, has been to tell the story so as to accord with the conditions in the winter and spring of 1917, although a few footnotes added in the course of proof-reading take account of later developments. The Food Administration has now, of course, injected a new factor into the situation. But if the writer has been successful in his intention of getting the analysis down to fundamental principles, the general argument should be as true in war-time and afterwards as it was before.

I am particularly gratified that the chapters dealing with the wholesale market were carefully checked just before going to press by Mr. M. W. Lorch, a man who, as sales manager of a large wholesale produce company, and former Chicago manager of the principal trade paper, is peculiarly fitted to pass upon the correctness of the statements here printed.

E. G. N.

University of Arkansas,
May 31, 1917.

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THE CHICAGO PRODUCE MARKET

CHAPTER I

INTRODUCTION

Since the Industrial Revolution — roughly a century and a half ago — a large measure of attention has been devoted to the technique of extractive and manufacturing industries. We of America have bent every energy toward the rapid exploitation of vast new resources, and have developed to our utmost every mechanical device for making human labor go as far as possible in that process. The elaboration of transportation facilities has been demanded as a means of getting our consumers in touch with the cheapest sources of supply and of enabling our producers to deliver their product at far-away industrial centers of consumption. But as early as 1880 we perceived that our resources of new land, though vast, were not illimitable. Since then we have resorted to irrigation, drainage, and dry-farming in order to add to the area available for agricultural production. Likewise, researches in chemistry, biology, and other sciences have taught us how to till and fertilize, how to select and breed so as to make more efficient use of the resources already scratched over by extensive methods. Also, in the later stages of this development, there has come an enlarging appreciation of the economic phases of the problem and an effort to augment returns by a better organization of the factors of production.

Not least among the services rendered by this economic analysis of our agricultural industry has been the directing of more careful study to those parts of the process which

have to do with the marketing of the product. Whereas the agricultural scientist was prone to measure results in terms of weight or bulk on the farm, the agricultural economist is concerned with cash results in the market. The technical process ends with harvest, but the economic process of agricultural production cannot be regarded as complete until the goods are put into the hands of the consumer. To achieve efficiency merely in growing a crop is not enough. Economies so laboriously brought about in the early part of the process may be entirely swallowed up by wasteful methods of marketing. Our eyes have at length been opened to see that the mechanism of the market needs to be as carefully designed and as skillfully operated as any other part of our producing machinery.

Toward this enlightenment two great forces have operated — the producer's zeal for more profits and the consumer's desire for cheaper goods. For nearly a decade the city dweller has been observing with growing consternation a persistent and, at times, a rapid rise in the cost of living, an advance which has been more pronounced in the case of agricultural products as a class than in the prices of most other commodities.[1] In the face of the many protests against high prices which have thus been raised, the farmer, however, has stubbornly maintained that his profits are but small and that not infrequently he finds that he has produced his crop at an actual

[1] Such at least seems to be the popular impression. Statistical evidence is hardly adequate to prove the point so far as retail prices are concerned. Bulletin 200 of the United States Bureau of Labor Statistics shows the following movement of wholesale prices of several different classes of commodities: —

	1890	*1900*	*1910*	*1915*
Farm products	65	65	98	100
Food, etc.	86	76	96	100
Cloths and clothing	93	89	100	100
Fuel and lighting	78	92	95	100
Lumber and building materials	77	81	107	100
Drugs and chemicals	79	86	90	100
House furnishing goods	118	109	102	100
Metals and metal products	118	109	96	100

loss. Figures of indubitable authority[1] have been marshaled to prove the point, showing returns of a dollar a day for the farmer's labor and three and one-half per cent on his invested capital. From this point it was but a short step to an arraignment of the men by whom and the system under which farm products are handled after they leave the farm. There arose talk of "the farmer's 35-cent dollar" and "the billion-dollar waste in marketing." Whatever the exaggerations of these picturesque forms of the complaint, they unquestionably served to stimulate careful examination of our marketing system with a view to ascertaining its adequacy to meet present needs and the possibility of devising a better marketing equipment for the future.

The consumer's point of view was vigorously put forward by the Massachusetts Commission on the Cost of Living (1910) in the following passage: —

> Manifestly the most wasteful part of our economic system is that concerned with distribution. In production we are far ahead of any previous period in the world's history. Our agriculture has hitherto supplied the needs of a rapidly growing population, even if now it must be developed more intensively. . . . But in distribution, in getting the product to the consumer, we make no progress, unless it be in the one particular of transportation. On the other hand, there is enormous waste of effort. . . . Every investigation of the high retail price of agricultural produce — meats, cereals, dairy, vegetable, or fruit products — has shown an enormous gap between the price received by the first producer and that paid by the ultimate consumer, an ever-widening gap, for which a complicated system of distributing middlemen is largely responsible.[2]

The sentiment of the producer — discouraged by the low returns, high marketing costs, or failure to find a

[1] See Bulletin 295, Cornell Experiment Station, Bulletins 41 and 341, United States Department of Agriculture, Farmers' Bulletin 746, etc.

[2] *Report of the Massachusetts Commission on the Cost of Living* (1910), pp. 315–16.

market outlet for his goods — is not less critical. What use, he asks, is there in producing goods in greater and greater abundance if there is no adequate system for distributing them to consumers?

During the past year the trade has been well aware of the fact that many industries are long on production and short on distribution. The economic distribution of farm products is to-day the world's greatest problem, and the war, while it has brought its hardships, has clearly emphasized the importance of distribution as a factor in American agriculture and promises to give the farmer the coöperation of the Government and of business men in the solution of their marketing problems. For years the Department of Agriculture has been dumping tons of literature on the farmer, telling him how to produce, while the farmer has been dumping tons of products in the nation's garbage can for want of a market. . . .

The experience of the past year, in fact of several years, has proven conclusively that the matter of overproduction is now a serious one in the apple deal, the orange deal, the cantaloupe, potatoes, and other products. In many commodities the signs of the times point to heavy overproduction, but with the proper method of distribution and development of out-of-the-way markets, at least a portion of the problem will have been solved.[1]

Marketing the nation's food supplies is therefore one of the greatest problems before the country to-day, and unlike many other big issues, it has not been given the careful study and consideration that has been given to the tariff, coinage, or education.

To-day apple growers in the Northwest, with an eight-thousand-car crop in prospect, face a mighty serious marketing problem. Years have been spent in developing their orchards and thousands of dollars are represented in that industry. What will they do to make a fair profit on their fruit? Down in California orange-growers are holding meetings because they are dissatisfied with their low returns this winter. The future of the California citrus industry hinges on what they can do to solve the marketing problem. Grapefruit-growers in Florida, Cuba, Isle of Pines, Nassau, and Porto Rico realize more than ever before that they must receive better net prices or their trees will not be revenue producers. The cantaloupe men, the potato men, the onion men, in fact pro-

[1] *The Chicago Packer*, February 27, 1915.

ducers of every farm product more than at any time in years realize the importance of this very marketing problem. . . .

Prohibition, the tariff, coinage, international relations are all important to the Government, but the real problem before the people is that of successfully marketing the nation's food supplies.[1]

To the thoughtful observer the present situation should be full of much hope. It is a fact well illustrated in the history of reform movements that the moment of loudest complaint does not mark the time at which conditions have sunk to their worst estate. The period of active discussion, the uncovering of abuses to the light of day, indicate that awakening has already come and encourage us to believe that remedies are at hand. Not infrequently, however, the honest apostle of reform is carried away in the rush of his own jeremiad and paints his picture blacker than the truth. Continued "muck-raking" breeds in the public mind a morose conviction that whatever is is wrong. Such impressions need to be checked over, thoroughly and honestly, against carefully investigated facts. After the fiery exhorter has done his service in arousing us to the fact that we have a problem, then comes the task of the serious student in examining and analyzing the precise nature and extent of that problem in order that remedial measures may be fitted accurately to the character of the need and that, on the one hand, we may not begin a frenzied demolition of what is already sound and workable, when small but important adjustments in the several parts of the system would put it in a state of serviceable operation, nor, on the other hand, continue old abuses or inefficiencies when we really know a better way.

In the matter of our marketing arrangements the period of awakening has already come. We are well aware that these arrangements are not wholly adequate to the rising standard of efficiency which our expanding industrial life

[1] *The Chicago Produce News*, May 8, 1915.

demands to-day or will demand to-morrow. In the process of arousing public sentiment on this important issue much that is true and illuminating and helpful has been said. But likewise there has been not a little bandying of garbled facts and misleading figures, intemperate criticism, and utopian fancy. Some of those who are most outspoken in their complaint display surprising ignorance of the real nature of the marketing process, and of the functions performed or the character of the services actually rendered by the various members of the existing system. The slow and careful process of scientific study of the market problem is now demanded. This must rest upon an adequate analysis of the task to be performed, full and accurate knowledge of present systems and their complicated workings, and an appreciation of how and why they have come into their present situation. Only by such a preparation shall we qualify ourselves to estimate deficiencies and plan improvements.

This is a large task and must needs be divided among many workers. The United States Department of Agriculture has of late been turning out a succession of market studies, and independent investigators are adding their contributions in increasing numbers.[1] Naturally the first of these were rather broad treatments of the general subject of the marketing of farm products. Later efforts turn toward more detailed study of some particular phase of the larger problem. The present study is undertaken as a modest venture in this latter field of marketing investigation, limiting itself both in size of market area and range of commodities discussed. It aims, by the careful examination of a selected problem of limited scope, to derive some understanding of the principles involved and of the part

[1] Since this essay was written (1914–15), *The Marketing of Farm Products*, by Weld (Macmillan); *Agricultural Commerce*, by Huebner (Appleton); and *Marketing Perishable Farm Products*, by Adams (Columbia University Studies), have appeared.

played by a particular market mechanism in determining the prices of certain agricultural products. Many of the Government studies have been limited to a single commodity or class of commodities, but in only a very few cases has the basis of division of the field been geographical, save as local specialization in the given line of production made it so.

And yet the market *city* is perhaps the most significant unit of organization for the trade in food supplies. Probably, too, Chicago is the city which furnishes the best illustration of the present state of organization of our trade in agricultural products. As the center of the converging lines along which the produce of the farmer moves to market, Chicago stands preëminent among American cities. As the distributing center toward which a great industrial population look for their food supplies, it occupies an equally conspicuous position. It affords a most instructive illustration of the achievements and defects of present-day methods of handling our mighty traffic in the products of the farm.

For the South — with its autumn turkeys, winter vegetables and citrus fruits, early spring eggs, and early summer peaches and melons — Chicago stands as the natural gateway to many other cities and towns of the North, as well as the home of three million ultimate consumers of those products. Not less is it the gateway *to* the South, through which a great volume of the products of the North are distributed — late fruits and vegetables to prolong the Southern "season," and, during the winter, hardy fruits and vegetables, apples, and cranberries. From the mid-West (besides live stock and cereals), dairy products, eggs, and poultry are drawn to Chicago's *dépôt*, and the surplus over her own needs sent East to other consuming centers or to points of export. From producing and importing points in the East she draws supplies — bananas, lemons, grapes, cheese, cabbage, and other fruits

and vegetables, — for her own use and for re-sale to other markets farther west. In turn she helps to supply the Eastern markets with every choice product of the Western country — Minnesota butter, Iowa eggs, Colorado cantaloupes, California fruits and winter vegetables, Northwest apples, and countless other products.

Such complex marketing arrangements are demanded by the differentiated and geographically specialized economic life of to-day. It has been found that industrial efficiency can be secured only by concentrating population in great commercial cities and in manufacturing regions near sources of power or raw material. On the other hand, the farmer can produce the largest output of food and other agricultural products, can lower their cost, and improve their quality only by being free to carry on production wherever he finds soil and climate best suited to each particular crop. If industrial America is to find it possible to take men from rural pursuits and gather them into town centers in order to secure greater efficiency in manufacturing or a richer social life, while, at the same time, agriculturists are to be enabled to distribute their efforts over the earth in response to the call of natural advantages for production, then there must be a system of provisioning the city, a method of marketing the surpluses of commercialized farming, which is swift, efficient, and economical.

Recognizing these conditions, the present study will undertake to examine the manner in which the Chicago produce market is performing its part of this important function. Chicago is pleased to style herself "The Great Central Market." Such a position, however, involves certain heavy responsibilities. What sort of a great central market for perishable food products has been developed here? What functions does it perform, and how? How does it operate to determine the precise circumstances under which a particular supply and demand are brought

together in Chicago, and what effect do these facts have upon the prices which Chicagoans pay for their purchases?

So far as the choice of products to be studied is concerned, the author has simply followed the existing organization of the market. A study of the whole food situation of Chicago divides naturally into several smaller parts, any one of which may be selected for a separate study. Thus, the grain trade is organized in a highly specialized market which centers in the Board of Trade at the foot of La Salle Street. Live-stock trading has its special mechanism and personnel, with headquarters at the Stockyards. The milk trade is organized separately from other interests. The province of the study here undertaken is the "produce" market of South Water Street and elsewhere, and it concerns the business of marketing those current supplies of more or less perishable agricultural products which move somewhat directly from producer to consumer, with practically no process of manufacture intervening. As the organization of the market has come to define it, "produce" includes fresh fruit and vegetables, poultry and eggs, butter and cheese. Of course no rigorous definition can draw an impassable line between the various markets for food products. Thus, the packers handle some poultry and recently have touched the butter-and-egg business, while certain milk concerns have also invaded this latter field. On the other side, produce dealers handle a large amount of veal and some other meat products. There are also odd lines besides the list we have mentioned, such as evaporated fruits, nuts, dry beans, some hides and pelts, fish, feathers, and frogs' legs.

As for this group of commodities, then, the produce merchants of Chicago undertake the task of feeding a city of upwards of three million people.[1] According to their own statement, this involves transactions "of approximately THREE HUNDRED MILLION DOLLARS a year, and in doing this

[1] Including adjacent suburbs not included within the city limits.

business they handle the second largest tonnage in Chicago." Of course, a considerable amount of this is business which simply passes through their hands *en route* to other markets, but even that traffic has its indirect effect upon local conditions. The city statistician estimates Chicago's annual consumption of butter, cheese, poultry, eggs, fruit, and vegetables at $115,776,180.[1]

It is certainly a pertinent question to ask just how this great demand is brought in touch with the sources of food supply all over the country and even in foreign lands. If some supplies actually go to waste while we are able and willing to pay a price greater than the cost of bringing such goods to market, we are justified in charging the marketing system with that social loss. Even if it appears that the present cost of marketing is above the market value of the goods, we should not feel that we are answered, but must push our query one step farther back and inquire whether commercial inventiveness or better construction of our market machine may not lower this cost of handling, so that fewer goods shall be wasted and fewer wants shall go unsatisfied.

It is a favorite defense of the produce dealers to assert that their business is controlled absolutely by laws of supply and demand, and, therefore, if we are not satisfied with the result, we should get the City Council to "repeal the law of supply and demand," rather than frame ordinances to control the commission merchant, or the cold-storage system, or to create a municipal market. Certainly we may admit, to a considerable extent, their claim as to the free operation of competitive demand and supply. Where great streams of goods converge upon a single market and a great concourse of buyers is brought together to bid and haggle and buy, the immediate price-making process is clearly that of mutual competition and an equilibrium of supply and demand. But to admit this does not

[1] *Preliminary Report of the Municipal Markets Commission*, p. 15.

estop us from our present inquiry. To urge it is to beg the very question which is the really vital issue for Chicago's consuming public and for the absent producers of farm products.

For though the local supply and demand are made to strike a balance in price, the question still remains as to why it is that that particular supply and demand come together. The fact is that it is the market itself which determines whether shippers shall find it convenient and profitable to ship their goods to Chicago; it is the market which, by its alertness, finds neglected sources of supply or more direct, safe, and economical means of bringing goods to the city. Likewise, it is the market which, by reason of its quarters or its manners, attracts buyers or repels them, reaches all the demand or only part, educates taste, alters habits of consumption, creates and directs demand. Even if the market be passive in the working-out of the particular supply and demand into prices, it is a highly active force in determining precisely what supply and what demand shall be brought together in the city of Chicago.

While it is important to have a machine working well, it is possibly even more important to make sure that it is the best machine we can get. A scythe may be ever so sharp, excellently tempered, and handled by the most expert workman, but it is inevitably far inferior to a modern horse-mower as a means of cutting grass. On the other hand, not every dream of an optimistic inventor proves to surpass the tried and known equipment already in use. It is necessary to be as critical of alluring new proposals as of our present facilities. And so we ask: Is this produce market rendering the best service at the lowest cost, or does it need a broader outlook, better equipment, and a different type of organization?

Both the farmer and the housewife say that it does. It is not strange that the irritation of consumers against any

one who may be suspected of responsibility for any part of the rising prices of food products should be somewhat pointedly directed at the dealers in farm produce. The grocer is so close to the consumer that a measure of friendship often protects him from attack. Besides this, his unstinted services and modest profits are patent. The producers, likewise, offer no fair target, being too far away, too numerous, and too little organized. But the commission man is protected neither by distance nor by friendship; he is at once impersonalized and accessible. For the same reasons he is exposed to the missiles of the grower, who cannot fight a whole world of consumers, but who finds in the produce dealer — a shrewd city fellow reputed to be making enormous profits from speculation in the farmer's wares — a shining point for his attack. We are all prone to retain a good deal of the mediæval philosophy which gives all the credit of wealth-creation to the man who performs the technical process of production and calls the merchant a parasite. This is natural enough in the farmer who has sweated through planting time and harvest.

But under all these circumstances it is well to remember that a man is innocent till proved guilty, and also that we should aim to get back of the man and the personal attitude to the system of which he is a part and to the fundamental economic principles which underlie it. The present writer holds no brief for the Chicago produce market as it exists to-day, nor is he either a volunteer or conscript in the army enlisted to fight the high cost of living by slaughtering the middleman. It may be true that "these dealers in perishable food products serve the retailer in an economic and sanitary manner," in fact, "could hardly supply the public better or at a lesser cost." Such is their claim, made in their public New Year's (1915) announcement in the Chicago papers. Or it may be true that "these markets, as now conducted, are entirely inadequate, insanitary, and

extremely wasteful," as the Municipal Market Commission says. Either statement needs more than mere reiteration to establish its validity. In the pages which follow an attempt will be made, not alone to show how the produce market is organized and how it works, but likewise to discuss some general principles by which that performance may properly be judged.

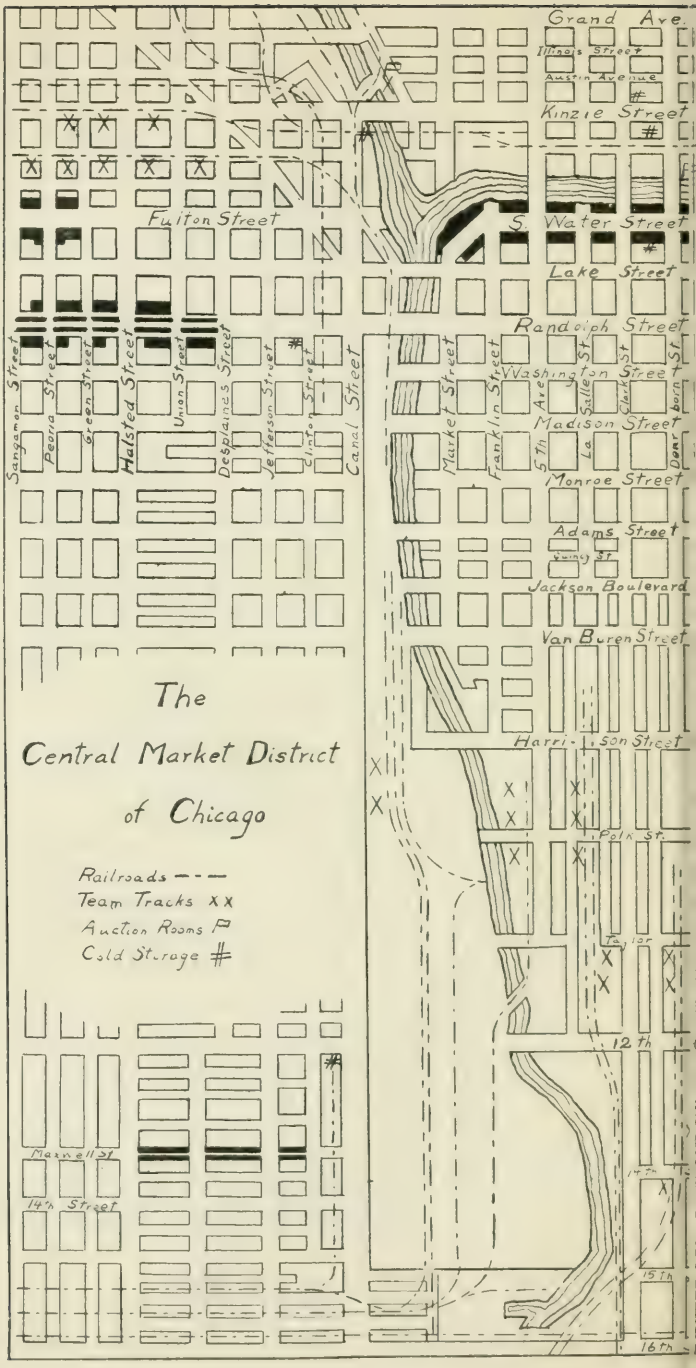
CHAPTER II

THE WHOLESALE MARKET — LOCATION AND EQUIPMENT

THE wholesale marketing of produce in Chicago centers about one great market-place near the heart of the city, — South Water Street, — though the Randolph Street market, a short distance away, has grown to considerable size and importance in recent years. The few outlying markets are relatively insignificant.

The present location of the Chicago produce market is to be explained in the light of its historical development rather than on any logical economic grounds. In the early days of the city the general business center was on the north side of the river, in the region east of the point where the two branches unite. Water traffic was then relatively more important than now, and the thriving trade in lumber, grain, furs, and other pioneer products very naturally found its most advantageous location along the water front of the main stream of the Chicago River. It was about the time of the Civil War that the business life of the city, needing more room, and shut in by the residence district on the north, migrated toward the south and began its expansion over the district which is the heart of present-day Chicago. As banks, newspapers, hotels, and wholesale and retail houses abandoned those streets which lay next to the river on both north and south, the section was left in the hands of the produce dealers, whose business grew and flourished with the enlargement of the city as a consuming center and with the expansion of the railroad system.[1]

[1] Cook, *By-Gone Days in Chicago*, p. 183 ff. The Board of Trade occupied quarters on South Water Street until they erected their Chamber of Commerce building on Washington Street (1865).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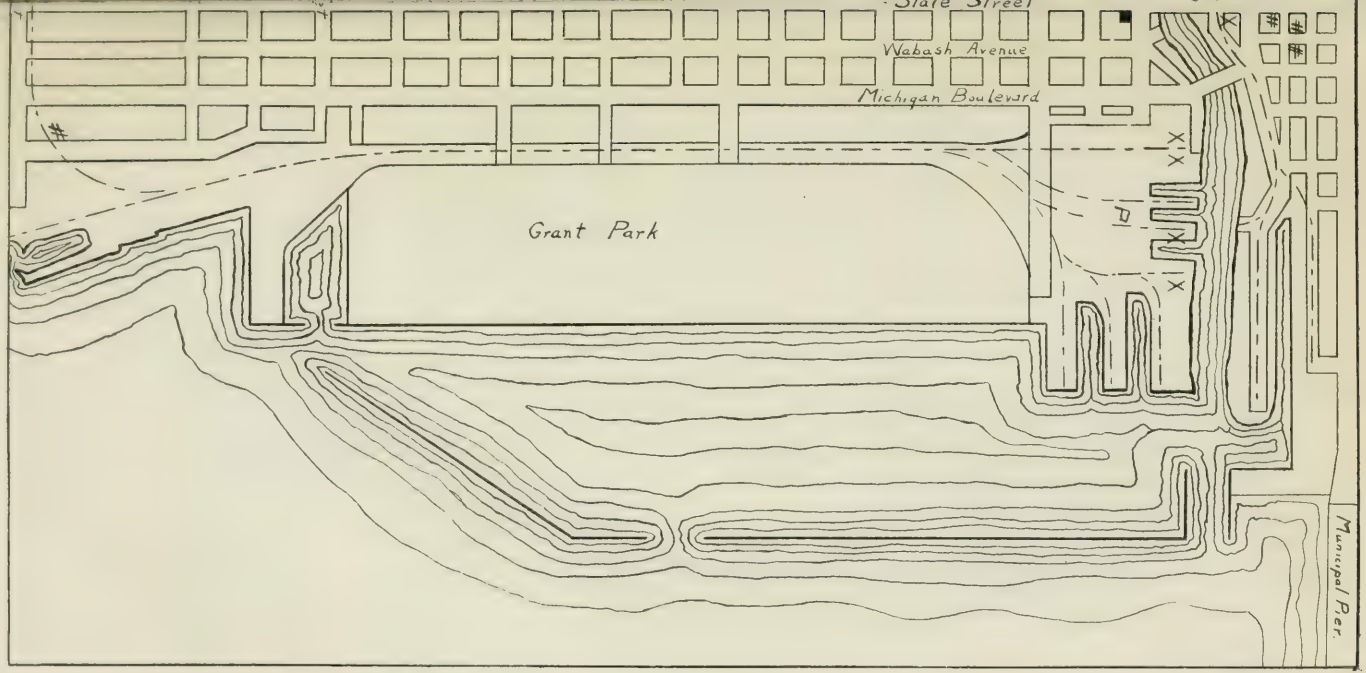
Kinzie Street
Fulton Street
S. Water Street
Lake Street
Randolph Street
Washington Street
Madison Street
Monroe Street
Adams Street
Jackson Boulevard
Van Buren Street
Harrison Street
Polk St.
Taylor
12th
14th
15th
16th
Maxwell St.
14th Street
Sangamon Street
Peoria Street
Halsted Street
Union Street
Desplaines Street
Jefferson Street
Clinton Street
Canal Street
Market Street
Franklin Street
5th Ave.
La Salle St.
Clark St.
Dearborn St.
The
Central Market District
of Chicago
Railroads
Team Tracks
Auction Rooms
Cold Storage


State Street
Wabash Avenue
Michigan Boulevard
Grant Park
Municipal Pier

South Water Street is a short east-and-west street, which lies between the downtown business district ("the Loop") on the south and the Chicago River on the north. The portion used for produce-market purposes is a scant half-mile in length — from State Street west to the turn of the river. Since the re-numbering of the city a few years ago, this has become officially *West* South Water Street, but, in common usage, little or no attention is paid to this distinction. In fact, to those most concerned it is — and probably will always remain — simply "the Street." Generally speaking, fruit and vegetable dealers are located in the eastern part of the district, while the western end contains the establishments which specialize in meat, poultry, and dairy products. Likewise, the initiated observe a distinction between the north and the south sides of the street, the latter being known as the "busy side." It has the obvious advantages in summer of being the shady side, and stores on this side of the street run back to an alley, which is convenient for handling goods, whereas those on the other side, besides being quite shallow in depth, back up to the Chicago River, from which no goods are received. Both sides of the street are lined with low brick stores,[1] none of them new [2] and many of them dating back to the days just following the great fire of '71. The ground-floor of these buildings is used for storage and salesroom purposes. There is commonly a cashier's booth at one side of the street floor, but the general offices are frequently located on the second floor. The basement and the remaining upper stories are used for storage purposes, repacking

[1] Mostly of three or four stories in height.

[2] Except that, in the latter part of 1916, a modern eight-story office building was erected at the southwest corner of South Water and Clark Streets. At the close of the year negotiations were under way for a twelve-story modern structure at the corner of Fifth Avenue and South Water Street. Possibly this is the beginning of an invasion of the district by buildings capable of "cashing in" the full value of these sites as locations for other lines of business. If so, some interesting developments may be expected. See chap. x.

fruits or vegetables, candling eggs, dressing poultry, and similar uses if the concern occupying the street floor handles a large volume of business. If it does not require so much space, however, the basement is often rented to some other firm or individual (most commonly a dealer in bananas, butter, or eggs), and the upper floors occupied by car-lot wholesalers, whose business does not require the use of salesrooms, or by dealers in feathers, pelts, old bags, or the like.

South Water Street is sometimes referred to as "the busiest street in the world." This, if true, is not entirely to its credit. Some of its "busy-ness" is mere wasted effort. The extraordinary mass of vehicles which choke this thoroughfare, the endless piles of crates and sacks and barrels which obstruct its sidewalks, the seething crowd which fills every inter-space until it impedes its own progress, give evidence magnificently of the large volume of business which centers in this district, but they likewise give evidence deplorably of the lack of up-to-date equipment for the handling of that business. The number of teams on the street is an index not merely of the volume of traffic being handled, but also of the time wasted in the handling of it. The crowds on the street are augmented by purchasers who have been delayed by the confusion of the market after they should have already completed their business and returned to their stores or offices. The piles of goods on the sidewalks accumulate because there are no adequate facilities for displaying and handling these wares inside. The physical equipment of the South Water Street market is, save for a few motor vehicles, precisely what it was a generation ago — the separate individual store, remote from railway connections and equipped only with hand trucks and delivery teams. Modern market quarters adjacent to railroad terminals, where the handling of goods is reduced to a minimum and that strictly necessary amount done by thoroughly up-to-date appliances, have

not yet been provided for or by the produce dealers of Chicago. Present deficiencies and efforts toward remedying them will receive further discussion in later chapters.

The business of South Water Street overflows into the adjacent side streets to a limited extent. To the north this is precluded by the Chicago River. Toward the south a few produce stores are to be found opening on State, Dearborn, or La Salle Street, or on Fifth Avenue. More particularly are the side streets utilized as a parking space for teams waiting to load up supplies purchased on "the Street." Some South Water Street merchants find themselves so fully occupied with shipments to out-of-town customers that the space in front of their places of business is entirely taken up by teams receiving their loads for the various express and freight depots. In such cases local buyers are compelled to wait "around the corner" until their wants can be supplied and their goods brought to them on a hand truck.

Such business as is of a strictly office character can more readily expand toward the south. Car-lot wholesalers find rather more desirable quarters in the office buildings on Lake Street and, in some cases, even farther away from South Water Street. On Lake Street, likewise, are to be found the National Produce Bank, the Chicago Butter and Egg Board, offices of the trade papers, trade organizations, numerous "shippers' representatives," inspectors, and others connected with the business.

Finally, the account of the central produce district will not be complete without mention of the auction rooms and cold-storage warehouses, most of which are located just across the river to the north and east of the Water Street market. There are two auction companies: their business is limited to the selling of citrus fruit from Florida and California and of deciduous fruit from California and the Northwest. The display- and sales-rooms of the Green Fruit Auction Company are located in a building which

occupies the north bank of the river immediately east of the Dearborn Street Bridge, while the Central Fruit Auction Company occupies the eastern portion of the same building, with their second-story entrance on the west side of the State Street Bridge. Freight tracks of the Chicago and Northwestern Railway pass directly north of this building, greatly facilitating the unloading of fruit received from the west. In order to handle Florida fruit the Green Fruit Auction Company conducts an auction at the freight terminal of the New York Central lines at Clark and Eighteenth Streets during the winter season.[1] There was formerly another auction-room, operated at the Illinois Central freight terminal at the foot of South Water Street, one block east of Michigan Avenue. This auction-house fell into disuse several years ago, but late in September, 1916, it was again opened with the announcement that in the future the Central Fruit Auction Company would sell citrus fruit there during the season when it was being shipped from Florida and other Southern districts. This building has excellent railroad connections and is only about four short blocks from the heart of the produce district, whereas the other auction for Florida citrus is fully two miles away. Its reopening marks a stage in the warfare which has recently developed between the two auction interests in this market.[2]

Cold-storage warehouses are an important adjunct to the produce market. Even though the individual dealer has his private chill-room or may go so far as to have the larger part of his basement provided with refrigeration, the larger establishments must be depended upon when goods are to be stored in large quantities, for long times, or at the lowest temperatures. Naturally the cold-storage compa-

[1] The Green Fruit Auction Company have now abandoned both these auction rooms and consolidated its business under one roof at the Chicago, Milwaukee & St. Paul Railway terminal at Kingsbury Street and West Austin Avenue (see map no. 1).

[2] See pp. 32, 34, 35.

nies seek a location as close as possible to the market section. Several of the most important are located on Kinzie Street, two blocks north of the Water Street market, or a little farther to the north, on Austin Avenue and Illinois Street. Others are not far away toward the west and accessible to both the Water Street and the Randolph markets. There are also four cold-storage plants adjacent to the freight terminals just below Twelfth Street and quite a group of them in the Stockyards district. Most of these latter are controlled by the packers themselves, but, besides handling packing-house products, they rent space to produce dealers. This is mostly used for storing poultry, butter, and eggs.

For some years there has been noticeable difficulty in securing adequate cold-storage accommodations for perishable products in the Chicago market. To some extent this has encouraged the storage of butter, eggs, apples, and similar products in smaller near-by cities which are convenient diversion points, or in the producing district. It has also led to several projects for the construction of larger and more modern refrigerating plants in Chicago. Some of the most ambitious of these plans have miscarried,[1] but others have met with the necessary support and will in future relieve the difficulties which the market has been laboring under. A ten-story cold-storage building [2] was opened for the beginning of the 1917 season, and, on October 9, 1916, at the corner of Dearborn Avenue and Kinzie Street the cornerstone was laid for what claims to be "the largest single-unit modern cold-storage plant in the world."[3] This was opened for business the following June.

[1] See Produce Terminal Corporation, pp. 220, 221.

[2] Below Fifteenth Street, running from State to Dearborn. Capacity, 2750 carloads.

[3] A large bulk of other products of a less perishable nature is likewise stored in the neighborhood in the so-called "common" or "dry" storages. So far as is feasible, however, dealers aim to have goods stored outside the city, where rents and other expenses are lower. Some of them have gone so far as to erect warehouses of their own at important shipping points in the various producing districts.

About a mile directly west of the South Water Street market is located the only other extensive produce market in Chicago — the West Randolph Street market. This was originally only two blocks in length (the old hay market), but has now been extended to five blocks — from Desplaines Street on the east to Sangamon on the west. The street is so wide that it is really a series of open squares and the area of this market is much greater than that of South Water Street market, though the volume of business handled is much less. It is largely a market of small jobbers and commission men, who occupy stores on both sides of the street, and of producers, who sell from their wagons, parked in the center, on each side of the car-tracks. The car-lot wholesale business, which is so important a feature of the downtown market, is practically absent here and, indeed, many of these dealers purchase their supplies from Water Street wholesale receivers.[1] On the other hand, the downtown produce merchants come to this market for some of their purchases, particularly in the case of home-grown products. The market has made substantial growth in recent years, and its members are quite certain that it is destined to be the future market center of Chicago. They are full of schemes of expansion and insist that the Water Street merchants should move over and join them. This issue will be further discussed in a later chapter.

The open market in the middle of Randolph Street is the largest and practically the only public market which Chicago offers to local producers. During the summer months a lively business in home-grown vegetables and fruit is carried on here.[2] As this is a public street, the market is in charge of a municipal market master who attends to the assigning of places to the various vehicles,

[1] Persons familiar with the conditions say that as much as seventy-five per cent of the goods sold in stores on the Randolph market are procured from South Water Street merchants.

[2] About three or four hundred wagons on a good day.

the collection of a fee for this privilege, and to the general ordering of the market. The price charged is ten cents per day for a single team, fifteen cents for a double team, and twenty-five cents for a motor truck. The market hours are from 10 A.M to 2 P.M. during the winter months and from 4 A.M. to 10 A.M. during the summer, that is, from May 1 to November 1. In practice it is found that competition for a favorable location becomes so keen during the busy season that the growers arrive on the market as early as eight o'clock of the preceding evening and spend the night on their wagons. The purchasers on this market are principally small jobbers, retail grocers and butchers, peddlers, and restaurant and hotel buyers. Consumers are comparatively rare.

Another market is located on Fulton Street, two blocks north of the west end of the Randolph market. As the business of both overflows into the side streets, they form practically one continuous market. Fulton Street possesses a certain advantage of location over any of the other markets in that it lies adjacent to a large terminal freight yard, thus reducing the cost and time of hauling. A high degree of specialization characterizes the business of this street. It is practically limited to poultry, game, veal, lamb, and other meats. Formerly the beef, pork, and other meat products dealt in here were the output of smaller independent packers, but within the last year or so the Stockyards concerns have come to dominate the business.

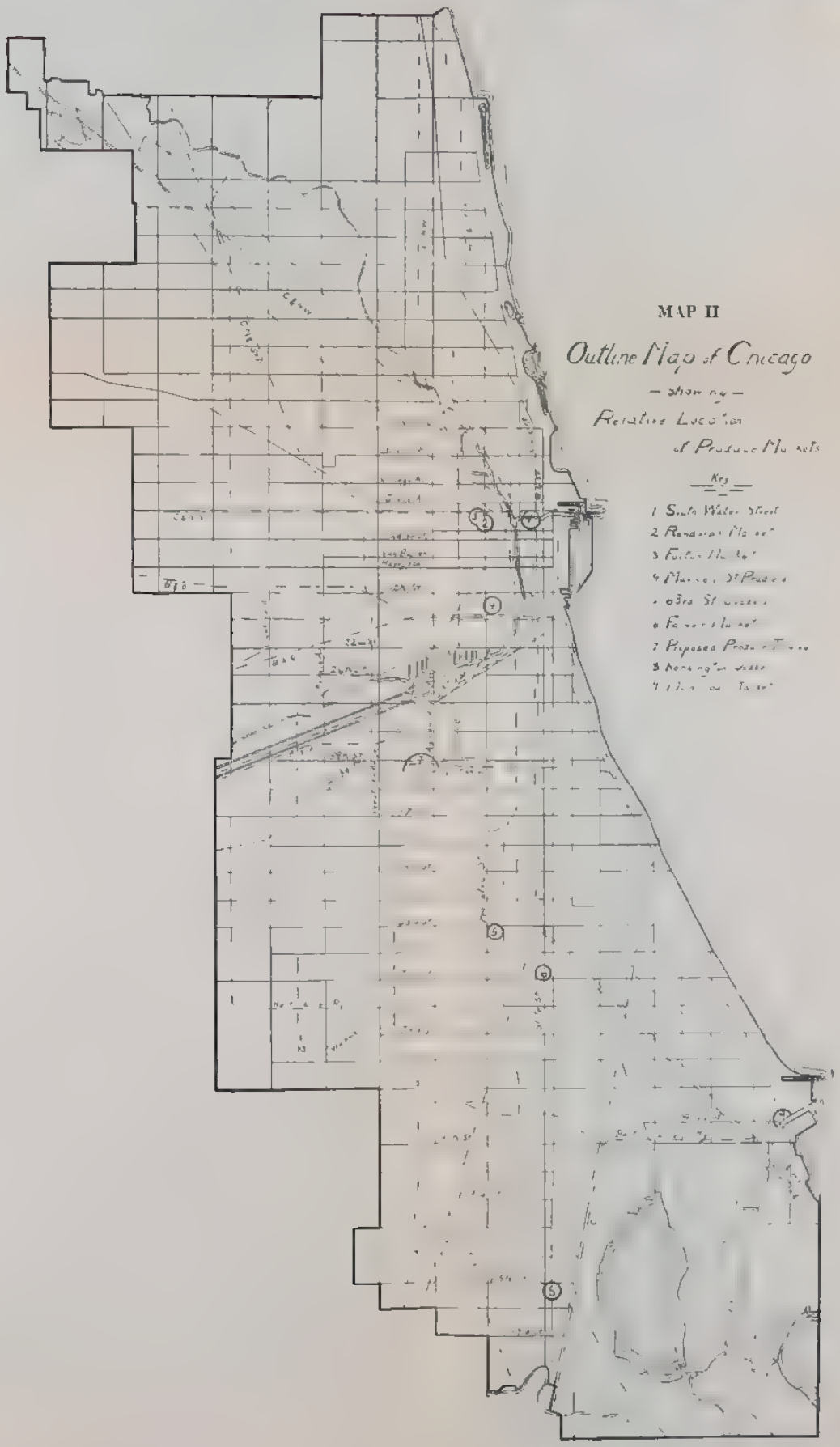
The principal outlying market which secures goods directly by purchase or consignment on commission is the small center located at Englewood, on Sixty-third Street just east of Halsted. Here, during recent years, about ten commission firms found it to their advantage to locate an independent produce center serving the retail trade of a large section of the South Side. Express shipments come to them at Englewood as readily as to firms downtown, and, thanks to the Belt Line Railway, they are at no dis-

advantage in the matter of freight shipments. Dealers on this market profess to cover a territory from Forty-seventh Street on the north to Ninety-fifth Street on the south and from the lake to Kedzie Avenue or even the western city limits. They made much of the fact that they could save the South Side retailer a journey of from five to ten miles to the South Water Street or Randolph market and return. But with the coming of the automobile, motor delivery, and the truck jobber,[1] this advantage has largely disappeared. There are now only four stores left at this center.

Still farther out on the South Side is to be found another small produce center at Kensington, where half a dozen firms are located on Michigan Avenue between One Hundred and Tenth and One Hundred and Sixteenth Streets. These dealers are primarily jobbers, who receive only a small amount of goods on consignment, and purchase the bulk of their wares at wholesale on South Water Street and in turn job it out to retailers of Kensington, Roseland, Calumet, and South Chicago.

A similar development is to be seen in other parts of the city. Wherever the distance from the central market becomes so great as to involve large loss of time in going to and fro, there there is a tendency for a jobber's store or a branch house of one of the downtown firms to locate itself. Thus, we find half a dozen firms doing a jobbing business in the vicinity of Lincoln Avenue and George Street on the North Side, six or eight on Milwaukee Avenue (northwest), several more in the Stockyards district (southwest), and other stores scattered here and there about the city. Of nearly four hundred and fifty produce dealers listed in the classified telephone directory, only seventy are located outside the downtown market district. Since the majority of the outlying establishments are merely branch houses or jobbers who secure

[1] See pp. 101, 102.


MAP II
Outline Map of Chicago
— showing —
Relative Location
of Produce Markets
Key
1 South Water Street
2 Randolph Market
3 Fulton Market
4 Maxwell St Produce
5 63rd St
6 Farmers Market
7 Proposed Produce Terminal
8 Municipal Market
9 Union Terminal

their supplies through the South Water, Randolph, or Fulton markets, it is evident that the one central market really determines the conditions of both supply and price for the whole city.

Another aspect of the tendency toward decentralization may be observed in the truck-farmers' market at Seventy-first and State Streets. The building-up of the city toward the southwest had gradually pushed the vegetable growers of this section farther and farther away from their old markets. The Randolph market is anywhere from ten to fifteen miles from the present location of their truck farms, and even hauling their products to Forty-seventh Street, Thirty-first Street, or any other of the principal business streets of the residence sections of the South Side or the West Side, consumes a large amount of time. A custom has accordingly grown up of meeting the retailer halfway. The growers with their loads of home-grown vegetables congregate around the intersection of State and Seventy-first Streets early in the morning, and there await the coming of buyers. From daybreak until six o'clock, this is a busy little market. From that time on the empty wagons of the farmers begin to scatter toward the south and west, while the full wagons of the peddlers and store-keepers draw away to the north and the day's business. By seven o'clock the street is practically empty. Retail grocers or butchers who have light motor trucks for delivery purposes come here from considerable distances, small dealers from near by come on foot and take their small purchases away in a wheelbarrow or cart; a few thrifty householders with large families or numerous boarders likewise avail themselves of this market.[1] The truckers are not usually willing to dis-

[1] "Wagon peddlers" appear to be the most important class of purchasers. As the city is very long and rather narrow, growers located on the west side of the city have readier access to the Randolph market, while those on the North Shore face the same difficulties as those from the South, many of them being even farther away. Some of their product

pose of their wares in small lots. The city takes no official cognizance of this use of the street and no fee is charged nor is any market master in attendance, though the policeman from that beat makes it a point to be on hand.

In conclusion, a word should be said concerning the transportation connections of the Chicago produce market. Perhaps the most striking feature of this matter is that in this, the greatest railway center in the world, the produce market — likewise one of the greatest in the world — is provided with no special terminal facilities. Far from having a central terminal building where perishables could be delivered — direct to heated or cooled rooms when necessary — Chicago has not even that centralization of its deliveries which is possible under the New York system of dock delivery and sale or which the Pennsylvania Railway recently supplied to Pittsburgh through the construction of a special produce freight yard. In Chicago the most expensive perishables are delivered by the different railroad companies quite casually at their general team-tracks. Goods taken from heated or insulated cars in mid-winter are frequently frosted before arrival at the dealer's store, a mile or two away.[1] In summer a similar journey over cobblestone pavements and under a burning sun causes delicate fruits and vegetables to deteriorate rapidly after leaving their refrigerated car. Under the present system the receiver who has shipments coming to him over several different roads is obliged to spend a large

is shipped by rail, much is disposed of to retailers or jobbers in the northern part of the city or in its suburbs, some is sold at the farm or at some halfway station, like the one we have been discussing, to traders who sell on the Randolph market. Not all of the wagons there represent actual producers. The motor truck, of course, widens the radius of such a market.

[1] About November 1, 1916, arrangements were made whereby, for the first time, car-lot shipments of Florida and other southern vegetables might be unloaded at a steam-heated platform adjacent to the "banana house" in the Illinois Central yards, close to the South Water Street market.

amount of time traveling from one freight yard to another, perhaps a mile or more away, in order to inspect his goods. When he attempts to sell them, the salesman must take prospective buyers over the same tiresome and time-consuming journey. Even if the goods are reshipped without breaking bulk, there is the delay and cost of having the car switched and reswitched to get it on its way again over a new route. Finally, if the car be broken up into smaller lots for re-shipment or local sale, or if the goods came in as less than car-lots, there is the expensive teaming through busy downtown streets, with delays at the team-tracks, more delays amid the congested traffic of South Water Street and its vicinity, deterioration as a result of the exposure of the goods, or their frequent rehandling and their being jolted about over uneven paving-blocks. The present teaming cost is enormous.[1]

The other outstanding feature of the transportation situation is that neither the boat lines nor the electric inter-urbans make important contributions to the handling of produce entering Chicago. An occasional boat-load of potatoes comes from northern Wisconsin and considerable fruit is brought across the lake from the Michigan fruit belt, but these shipments constitute but a tiny fraction of the whole fruit and vegetable business of Chicago. Such goods as the steamship companies do carry must be unloaded at their own dock and teamed to the produce district.[2] Also, though there are six inter-urban electric lines tributary to Chicago, none of them have downtown terminals. They

[1] Estimated at $7,000,000 per year. Of course this figure could hardly be regarded as more than the guess of a well-informed traffic man, but even so it points to a great leak in the present operation of the market. How much should be added to this amount to cover the cost of incidental deterioration of goods is even less capable of statistical measurement, though it is evidently a large amount.

[2] Except for the limited producing area which lies within teaming distance of the few lake ports, it is ordinarily more expedient for the Michigan grower to ship to Chicago direct by rail than to use both rail and water and suffer the delay and cost of transshipping.

make connections on the outskirts of the city (or even in its suburbs) with the various surface and elevated car lines. The development of an electric freight traffic similar, for example, to that centering at Indianapolis is, therefore, precluded.[1] Though several of these electric lines carry package freight in limited amounts, the handling of milk is the only line of perishables in which they have assumed any importance.

During the last few years there has been much talk concerning the unsuitable location and the inadequate equipment of Chicago's wholesale produce markets. Criticisms have come both from within and from without the trade. These suggestions will be examined with some care in chapters IX and X: they can be better appreciated after a discussion of the manner in which the produce business is carried on.

[1] See, also, pp. 47 and 171.

CHAPTER III

THE WHOLESALE MARKET — PERSONNEL AND ORGANIZATION

TURNING from our consideration of the physical aspects of the market to an examination of its functions, we pass from a relatively simple to a somewhat more complicated matter. Perhaps the easiest way of getting the system clearly in mind is to examine first the personnel of the produce trade and to pass in review the various individuals by whom the work is carried on. Chief in such a gathering of the personages of the market are the commission merchant, the jobber, and the car-lot wholesaler. Of these three the first is already fairly familiar to most persons and it is convenient, too, to begin with him because his method of dealing is the simplest of the three. He maintains a place of business to which shippers may send their goods to be sold and to which purchasers of such goods may come to do their buying. From the gross proceeds of such sales as he effects he deducts his own commission [1] and any charges which he has incurred for freight or express, cartage, or storage, and remits the balance to the consignor. He is left free to handle the consignment according to his best judgment and to take the best price which he can secure for it. In case the shipper elects to retain control over his goods, it becomes a brokerage rather than a commission transaction, and the broker submits to his principal such offers as he can obtain. Only after securing from him a confirmation of the price and terms of the sale

[1] Commonly of five, seven, or ten per cent, except in the case of large quantities (e. g., $10 per car of potatoes). The same commission merchant will charge different rates on different classes of goods, but most of them assert that five per cent charges belong to a day of lower operating costs and should be abandoned. For a fuller discussion of charges, see chap. VII.

can the broker complete the deal. He ordinarily takes the responsibility for the handling and delivery of the goods and sometimes, though not always, for the collection and remitting of the purchase price.[1]

The jobber is to be distinguished from the commission merchant and broker in that he purchases his goods outright, looking to profits rather than to commissions for his remuneration. He may contract for his supplies, far in advance, from individual producers or coöperative selling associations; he may buy them as he needs them from local shippers in the producing territory; from brokers, commission men, or wholesale receivers in his own market; or through the public sales of the auction company. In a general way the term "jobber" is limited to dealers in less than carload lots, but the more prominent jobber often purchases in very large quantities. In all cases he sells to retailers. He is the man who breaks up car-lots, and this fact distinguishes him from the true wholesaler.

This car-lot operator goes by several different names. The term "car-lot wholesaler" is probably the clearest and least ambiguous. The term "car-lot receiver" is very generally used, and is quite suitable for the dealer who buys in car-lots and sells in lesser quantities to local jobbers. In everyday speech this is shortened so that he is simply called a "receiver." In a similar manner a class of dealers who buy supplies from wholesale receivers in the city market or from commission merchants, brokers, or jobbers, and make up car-lots for shipment to other markets are frequently known as "shippers." This leads to confusion, since the same expression is used habitually for those who sell or consign from out-of-town points — the "country shippers." Finally, we should notice that the individual or firm which deals in goods in car-lots on its own account also, in many cases, handles cars on a com-

[1] These brokerage arrangements are, of course, practically limited to car-lot business.

mission or brokerage basis. This matter of the relation of commission and brokerage transactions to the out-and-out buying of the jobber and wholesaler is a question of some interest, but its discussion had best be deferred until the other members of the trade have been introduced.

Something has already been said about the broker in connection with one class of brokerage transactions. But besides selling brokers there are buying brokers, whose business in the Chicago market is to execute orders for the purchase of goods here for dealers elsewhere. This is particularly convenient in the case of goods for which this market is a trading center, but for which the smaller city offers only a limited or irregular demand. Likewise, there are traveling as well as resident brokers — men who go from one town or city to another in search of buyers or from one producing field to another in search of supplies for which they can locate a purchaser and thus earn a commission.

The work of the solicitor and the buyer is quite similar to that of the traveling buying broker except that the former are the salaried representatives of some particular concern, not the agent now of one and now of another principal who makes occasional use of such services on a commission basis. The salaried buyer goes through a producing territory, making contracts with producers or shippers for the whole or some stated portion of their output or buying from day to day wherever he can secure goods at satisfactory prices. He keeps in close touch with his employer, advising him by letter, telegraph, or telephone concerning the conditions in the field and the outlook as to quantity, quality, and prices demanded for the goods in question and the amount and character of competition from other buyers. In turn he is advised of the demand situation and given suggestions or specific instructions as to how much to buy and what to pay. The "solicitor" of consignments may be a different person from the traveling buyer, but very

often the distinction is merely one of time. The solicitor of yesterday becomes a buyer to-day and perhaps drops back from the cash to the consignment basis again later in the season.

The "shipper's representative" may be, to all intents and purposes, a resident selling broker, offering his services to any shipper who has goods to sell in the Chicago market. These services may, however, be more in some directions and less in others than those of the ordinary broker. The shipper's representative may give special attention to seeing that goods are handled promptly by the railway or express company and that cars are properly iced and that perishables are protected from freezing temperatures during cold weather. He will ordinarily make a special inspection of goods upon arrival in order to ascertain whether they have suffered loss or damage in transit and to fix the blame therefor. He will attend to the filing of such damage claims as are called for and see that the goods are adequately handled and disposed of in such a manner as to secure the most favorable prices. He may have no concern whatever with the actual selling of the commodities, which will perhaps be attended to by a commission merchant or through an auction company.

Such a shipper's representative receives a fee or commission for his services, but there are also salaried representatives who perform similar duties for the larger shippers. Some growers' associations and even a few individual producers send their own man to Chicago to represent them personally during the season in which their product is being marketed. In a very few cases the volume of business is large enough and sufficiently continuous to justify the maintenance of permanent offices here. This is notably true of the California Fruit Growers' Exchange, which occupies a large suite of offices on Clark Street some two blocks from South Water Street. They have a district manager in charge and employ a considerable office and

field force to look after their interests in this market and throughout the adjacent territory.

The "car peddler" is, strictly speaking, a producer or country shipper who goes along to market with his car of produce and peddles it out from the car door in the freight yard. This class of business is much more prevalent in smaller cities than it is in Chicago. But here the same term is applied to the dealer who starts in business on a "shoestring," has his office under his hat, and finds it cheaper to pay demurrage than store rent and team hire. The practice is frowned upon by regular dealers and has been largely eliminated of late through the action of the railroads, who refuse to allow their tracks and rolling stock to be tied up in this manner.

In the poultry trade is to be found another specialist known as the "dresser." The work of the dresser consists in buying live poultry from the commission merchants, killing the birds, and preparing them for market. The finished product he sells to butchers, hotels, or other buyers, or he may put his dressed poultry in cold storage to await a better price situation. In this latter aspect the dresser is thus one of a group of market traders who take up surplus stocks at times when the market is oversupplied, put these goods in storage until demand has increased or current supplies fallen off, and sell at the higher prices which then obtain. Of course, the dresser or jobber may find that demand does not increase as he had anticipated, or supplies may prove to be more abundant than he had expected. Then prices do not advance enough to pay his costs of storage, interest, and handling, and he suffers a loss on his operations, or at best only comes out even.

In any event, such transactions put him in the class of "speculators," of whom we hear so much and so ill. There are few if any distinctly professional speculators, but almost any merchant is sure sooner or later to engage in

speculative buying and selling on the market, indulging in a little "flyer" on some line of goods in which he thinks the price is about to make an advance. Indeed, every jobber and every wholesaler who puts his money into the purchase of supplies for which he has no actual orders enters upon a speculative transaction. The more extensive and more habitual speculative operations, such as the regular seasonal movement in butter and eggs, depend vitally upon the use of cold-storage facilities and we will therefore defer the discussion of speculation in produce until the following chapter.[1]

Thus far the discussion has been entirely in terms of the individual trader or firm and the methods of private sale. The question may naturally arise, Are there no trading associations or exchange methods of dealing? As for organized exchanges for trading in these perishables in a manner similar to that by which Boards of Trade, Cotton, Produce, or Stock Exchanges deal in staple wares, the answer is no. In their respective fields, however, the work of the auction companies and of the butter, egg, and poultry "boards" is important and deserves attention at this point.

As mentioned in the preceding chapter, there are two auction companies operating in the Chicago market. They are stock corporations controlled by the members of the local trade. The Central Auction Company is the older organization, from which the Green Fruit Auction emerged as a dissatisfied and seceding body several years ago. It has recently received some very strong backing and has undertaken both to extend the field of the auction method and to secure for itself the leadership in the Chicago market. This question of personal affiliations is one of great importance to the auction company. If it is to be prosperous, earn satisfactory dividends, attract a large group of buyers, and thus secure good prices for shippers,

[1] See also chap. VII, p. 146, and chap. XI, pp. 238, 239.

it must obtain contracts to handle the output of those producers or shippers who control a large bulk of goods of brands which are favorably known. To do this it must rely upon the efforts of the stockholders and their friends. Many of the produce merchants who hold stock of the auction company are likewise financially interested in shipping and producing concerns in the distant fruit-growing region. Or, if not actually participating in their operations, they are their local representatives and thus in a position to direct an important volume of goods toward one or the other of the auctions. As buyers, too, the stockholders "protect" goods offered on their auction, by bidding up the price.

Only a limited number of commodities are handled by the auction method. In Chicago this includes Florida oranges, grapefruit, and tangerines, California oranges,[1] lemons,[2] and grapefruit, and the deciduous fruits of the Pacific Coast States.[3] Beginning with California cherries about the middle of April, there is until early December a continuous succession of fruits, which include the following: peaches and apricots; plums and prunes; figs; apples, pears, and quinces; grapes and pomegranates. At the opening of the season, shipments consist of only a few boxes of fruit, which come by express, but in the course of a few days they begin coming in carload quantities and at the height of the season thirty, forty, or even fifty cars of fruit will be auctioned in a single day. Sales are held each morning at nine o'clock and are attended by a large number of jobbers from the South Water Street and Randolph Street markets. It is not feasible to sell goods

[1] The California Fruit Growers' Exchange does not sell at auction in the Chicago market, but handles the sale of its products here through its own representatives (see p. 48). In some other cities it uses the local auctions.

[2] Also Palermo lemons and Almeria grapes.

[3] As well as small shipments from Arizona, New Mexico, Colorado, Utah, Idaho, and Montana.

in lots small enough to attract retail merchants or peddlers.

For its services [1] the auction company charges the seller a small commission and the buyer a flat "terminal" fee. It is impossible to state the exact amount of the commission, since it varies with the special arrangement in the individual case. In general it may be said to run from one and one half to two per cent of the selling price of the goods. Competition brought these commission rates down to a point where the auctions were barely able to make expenses. Then a terminal charge of three cents per package was added. This was levied by both auction companies, but, with the rivalry which developed during the season of 1915, the charge was dropped to one cent by the Central Auction in the spring of 1916, but restored to the old three-cent charge at the opening of the 1917 season. The terminal or service charge on citrus fruit is five cents per package.

The Chicago auctions are still in a state of warfare. A strong figure arose in the market during the season of 1914, and, in the following winter and spring, sought to consolidate the entire auction business under one roof. Failing of this, he threatened to erect a third auction-house [2] and drive both the others out of business. In the end, however, he threw his support in with the Green Fruit Auction,[3] thereby greatly augmenting its business in deciduous fruits, which had previously been of minor importance. The Central — which had not previously been selling citrus fruit — responded to this move by invading the Florida citrus field and beginning the sale of these products at the Illinois Central auction-house in the fall

[1] The services of the auction consist in unloading the fruit and arranging it according to brands and lots in their display-rooms, with one or more packages open for inspection; furnishing a printed catalogue of each day's offerings; conducting the sale; collecting and remitting the proceeds.

[2] Or rather to have the Santa Fé Railway erect one for his use. This was to have been located at Twenty-second Street. See p. 220.

[3] This was just prior to the opening of the deciduous season in the spring of 1916.

of 1916, as already mentioned.[1] This means a splitting of both the citrus and the deciduous business, whereas there is substantial agreement that the prime purpose of the auction system — namely, the bringing of the forces of supply and of demand to a sharp focus — is to be served better by one auction than by two.

As to the proposal that the field of auction dealing be broadened, definite results have hardly as yet developed. A group of jobbers in near-by cities where auctions are not in operation called a special meeting (February, 1916) to register a protest against the selling of citrus fruit at auction. This protest was brought to the attention of such interests as were thought to be contemplating the extension of this method of selling, as well as of those already engaged in the business. Notably the California Fruit Growers' Exchange, the Florida Citrus Exchange, and the Santa Fé Railway were apprised of the stand of the jobbers. Their argument was that they are obliged to pay high prices for the supplies which they purchase direct, only to find themselves faced in their selling territory by the competition of Chicago jobbers who have bought similar goods at a much lower figure on the auction.[2] Since then

[1] See p. 18.

[2] They claim to have paid $3.25 for the same kind of fruit that was sold on the auction at $1.50. Auction officials replied that these jobbers, having "been getting an exorbitant profit and forcing their trade to pay their price, were disgruntled at the auction because it was a means of revealing to their trade what real market conditions were." A Florida grower responded with a letter arguing that the consumer paid the full price anyway and that the auction enabled the jobber to pocket the margin, whereas by private sale it was passed back to the producer. He cited a case of his own, wherein he had sent two cars of grapefruit to New York on the same day, one to the auction and one to a commission man. He got thirty cents more per box, net, from the latter than from the auction, in spite of the fact that the commission merchant's car contained seventeen boxes known to be of inferior grade. He views the auction as "a dumping-ground for surplus or poor quality goods. People attend auctions to buy cheaply. Now, if the grower ever gets his just share of the money invested in his products, it will be after the auction-room is eliminated from the handling of his product."

a second citrus auction has sprung up, and on October 28, 1916, the author of the original proposal to extend the use of the auction came out with a public announcement that he would demonstrate the benefits of his method by selling at auction, during the season 1916–17, over one thousand cars of Northwest box apples. He says: —

I am going to prove my point — which is the superiority of the auction over the private sale system — with my own money, not with the growers' money.

I am the absolute owner of over 1000 cars of box apples — by count, so far, 654,791 boxes — and every single solitary car of that block of fruit — the largest by all odds ever owned by any individual in the history of the trade — will be sold through the auction.

If there is any chance in thus settling beyond all further controversy the merits of the auction system, I am taking it — not the grower.

If the plan of selling these apples at auction proves profitable to me it should prove profitable to the grower who sells his own fruit at auction instead of selling it to me to resell at auction for my own profit. It is to be borne in mind that when I talk "Auction," I talk it for the regularly established auction points for the sale of fruits in cities of over 300,000 population, and I talk it for all recognized and reputable companies outside of any in which I have a personal interest.

The selling of these 1000 cars of box apples at auction will settle for all time and beyond all further controversy the comparative merits of the system that I am backing with my money and at my own personal risk.[1]

There has been much talk in recent years to the effect that a wider use of the auction method of selling produce would be the means of greatly reducing the cost of marketing and thus the prices of the products. Many attempts in this direction, however, have met with only meager

[1] These apples were sold at auction in various cities throughout the country. As to what measure of success greeted the venture, the writer has been unable to learn anything definite. The fact that the seller has raised no shout of victory and that enquiries in the trade meet with evasive answers, seems to argue that no conclusive success was achieved.

results. In general, vegetables have not proved to be an auctionable commodity, though Kansas City handles a few lines with success. New York had to give up the attempt in butter, eggs, and poultry after several years of heroic but disastrous effort. Apparently it is necessary that the line of commodities must be one which is controlled by very few persons or by a very strong organization, as well as one which is highly standardized, and thus capable of accurate grading. Even California cantaloupes met with serious reverses when offered at auction in New York during the summer of 1916, a certain well-known brand selling at some times for as much as one dollar less at the auction than on the dock. A similar situation for Oregon apples is indicated by the following remarks of the vice-president of the Northwestern Fruit Exchange.[1]

> The first straight car of Yakima Grimes Golden apples sold at auction at 70c. to $1.15, averaging 93c. This ought to be a good argument against the auction propaganda now so actively and persistently being agitated through Western newspapers. There is absolutely no reason or excuse why good apples should be slaughtered at these prices, especially at this season of the year.
>
> We are growing a high-class specialty, which needs to be merchandised along modern specialty lines. Our fruit cannot be placed upon markets in competition with barreled apples and other Eastern produce and sell at prices profitable to our growers. We are producing fruit under a severe transportation handicap as compared with Eastern apple-growers and our merchandising methods must be extremely high-class throughout in order to make a success of the business.

It should be evident that the situation is quite different when practically the whole of a given line of produce — for example, Northwestern boxed apples — is offered exclusively at auction than it is when a large number of private dealers are making their utmost efforts to sell as large blocks as possible of the best brands to their most

[1] *The Chicago Packer*, October 7, 1916.

discriminating trade and only a residual portion of the crop is offered on the auction. It has become a well-established principle among livestock producers who sell periodically at auction to refuse to sell any animals at private sale prior to the opening of the auction, realizing that nothing takes the snap out of competitive bidding more effectively than the knowledge that the stock has already been picked over. Some of the fruit-shipping sections have failed to recognize this principle and have therefore tried to eat their cake and keep it too. They have sought to get the top-notch price from a limited fancy trade and then expected the auction to bring the general price of their product up to the same high level. Obviously, the auction is heavily handicapped by such a division of the trade.

Turning now to associations for organized trading in produce, we will take up first the Chicago Butter and Egg Board. This organization maintains permanent quarters at the corner of Lake and La Salle Streets, where the members meet each morning at nine o'clock for the transaction of business. Wholesale receivers offer such goods as they have for sale, and jobbers and buying brokers make such bids as they think are justified by the condition and prospects of the market. It is the purpose of the Board to bring the forces of both the supply and the demand side of the market together at this daily session (known as the "call"), so that a rational basis for price-making can be arrived at. Only a comparatively few transactions take place at the meeting of the Board and occasionally the bids and offers there may represent ideas of value too far apart to be reconciled and the session may close without any sale being effected. Until about three years ago, a quotation committee of the Board issued each day a set of official price quotations, but the Government brought suit under the Sherman Act and the practice was abandoned. The Board is still free to meet for the transaction

of its buying and selling business and the discussion of trade conditions.

It had also been the practice for the members of the Butter and Egg Board to deal in futures at the daily "call." Thus, a receiver could offer a car of eggs to arrive the following day, a week later, or at some more distant date. This practice was attacked both from within and from without the Board, as being of too speculative a character. It was defended as being a great convenience to the dealer who had shipments on the way, which he desired to sell in advance of arrival. It was further urged that such a method of sale simply amounted to getting orders for goods and guided the merchant in his buying operations.

On March 19, 1915, however, the Board voted to discontinue future trading, as an experiment, for sixty days. After five weeks the old system was resumed, except that futures were to be limited to a ten-day period. This restriction continued in effect until late in July, 1916, when the Board voted almost unanimously to allow members to buy and sell for delivery at any time in the future. Under the new rules every sale of butter or eggs for delivery more than ten days in the future must be accompanied by a written contract signed by both buyer and seller, and a margin of thirty cents a case for eggs and sixty cents a tub for butter must be deposited with the treasurer of the Board.[1] Sales are made by future months as in the case of grain futures, and delivery may be at either the buyer's or the seller's option, one or the other being specified in the contract. If it be at the seller's option, he may deliver the goods on any day of the month named in the contract, but must give one day's notice if delivery is to be made on any day before the last day of the month. Similarly, if it be a buyer's option, he may

[1] Two per cent of this deposit is retained by the Board to cover clerical or other expense involved in handling the transactions.

demand delivery at any time during the specified month, provided three days' notice is given.[1]

Like most trading associations, the Butter and Egg Board prescribes standards of quality for the products in which it deals and standards of business conduct for its members. It arbitrates such differences as may arise and may suspend or expel members who fail to observe its rules. It also undertakes from time to time such other activities as appear to be for the general good of the membership. Such was the campaign of publicity (to which reference is made later), in which newspaper advertising was used as a means of stimulating the consumption of eggs and of removing the popular prejudice against cold-storage products.

The Live Poultry Board is essentially similar to the Butter and Egg Board, though rather less pretentious in character. They have no such extensive quarters, but meet each morning at nine-thirty in a room over the store occupied by one of the South Water Street members. Receivers post on a blackboard the amount of stock of the various kinds which they have on hand or *en route* to them. Jobbers and dressers, who are in attendance, canvass these offerings, and are free to make whatever bids they see fit. If actual sales are thus effected, the price so received is regarded as the Board's price for the day, but members are in no way bound to observe it if they desire to make other prices. If buyers' and sellers' ideas of values are so far apart that no sales can be brought about, dealers and purchasers regard the quotations of the preceding day as still standing. However, the situation revealed at the

[1] All trading in futures was again abandoned in the spring of 1917 when popular agitation against war prices caused every practice which savored of speculative manipulation to be strongly condemned. The same action was taken by similar organizations in other cities. On June 1 the Kansas City Butter, Egg, and Poultry Board disbanded in order to make doubly sure that they should not become the target of public criticism.

morning session of the Board will be likely to have more or less bearing upon actual prices.[1]

Of other than trading associations we may mention the Chicago Produce Trade and Credit Association, the Chicago Poultry Dressers' Protective Association, the Fulton Street Market Association, the Randolph Street Commission Merchants' Association, and the South Water Street Credit and Protective Association. All of these aim to eliminate or lessen the abuses of bad credit, which have always been a serious difficulty in the produce business.[2] To a considerable extent, also, they devote their energies to combating legislation which they regard as inimical to the interests of the business.[3] The South Water Street organization has likewise been active in a project for securing a better location. It seems that there is one opportunity for great service which these organizations have thus far neglected. That is in the way of publicity

[1] The "Elgin Butter Board," or, to give its official title, the "Elgin Board of Trade," is to all intents and purposes a Chicago trading organization. A few traders from this city have been in the habit of going out to Elgin each Saturday for a short session at which they went through the form of a "call." The amount of butter thus sold has averaged only about fifty tubs per week, say one tenth of one per cent of the amount handled on the Chicago Butter and Egg Board in the same time. Since 1914 the Elgin Board has been enjoined from publishing its price as official, and in November, 1917, they discontinued their meetings for the period of the war. This was done at the request of the Government, but many persons believe that the members will never again resume operations.

[2] The first of the associations mentioned above has recently adopted a new set of credit rules governing dealing with retailers and has purchased the files of a local mercantile agency which had formerly been reporting for wholesale grocery and meat concerns. It appears to be in a fair way to get credit relations on a firm basis. Dun and Bradstreet are extensively used and there is also a credit rating agency of national scope (with headquarters in Chicago) which devotes its energies exclusively to the produce trade. It does not, however, appear to enjoy the entire confidence of the trade.

[3] There are also the Chicago Potato Dealers' Association and the American Fruit and Vegetable Shippers' Association. The latter has developed out of a Chicago organization of similar name and is composed of dealers whose business is at least seventy-five per cent car-lot shipping.

work designed to inform the public about the needs and intentions of the dealers and their attitude toward the problem of better produce distribution, which has been engrossing so much public attention of late. There are many facts about which the public is ill-informed, and it would seem distinctly worth while for the men who are interested most deeply in the business to approach the public in a frank and friendly attitude and endeavor to come to a better understanding of each other's point of view and a more reasonable regard for each other's interests.[1]

There are also several national associations to which members of the local produce business belong, and which have an influence in shaping the character of our market system. These include the National League of Commission Merchants, the National Poultry, Butter, and Egg Association, the Western Fruit Jobbers' Association, the International Apple Shippers' Association, and the National Onion Association. These are important for four reasons. They secure coöperative endeavor toward better transportation, better grading and packing, more adequate information, and the defeat of legislation which they regard as hurtful.[2] They tend to enlarge the field of friendship and business activity of the members and thus get a more flexible and extensive system of trading. Finally, they are making a beginning, and offer a large possibility, in the way of creating and enforcing better trade

[1] In March, 1917, a new organization, to be known as the Boosters' Club, was formed. This is patterned upon a club of the same name in Philadelphia, and if it follows the lead of the older body may be expected to accomplish something toward a more intelligent and friendly relation between dealers and public.

[2] Thus they supported the "Standard Barrel Law" and some other standard measure acts, they fought the war tax on commission merchants, worked for the amendment of section 21 of the Pomerene Uniform Bill of Lading Act, and oppose any attempt by the railroads to advance rates or curtail service. The apple and the onion associations differ from the others in that they gather and disseminate crop and market information to their members.

standards of fair and honorable dealing. For example, the Western Fruit Jobbers' Association provides that applications for membership

shall be thoroughly investigated by the Secretary and the result of said investigation, together with the application, shall be submitted to the Executive Committee, who shall take into account the reputation of the applicant for fair dealing, commercial probity, and financial stability, and if the applicant is approved by the Executive Committee, the applicant may be admitted to membership, etc.

And in Article VIII, it is provided that —

Any statement of grievance against a member of this Association made by a party not a member, involving a written and specific charge of questionable mercantile conduct, may be filed with the Secretary, accompanied with an agreement of the complainant (non-member) to present evidence and testimony to the Arbitration Committee to sustain such charge, and further agreeing to abide by the findings of the Arbitration Committee. Such documents shall be referred by the Secretary to the Arbitration Committee for investigation. If the charge is sustained, the member so charged may be reprimanded, suspended, or expelled. The Arbitration Committee shall make its findings and recommendations to the Board of Directors and said offending member shall be dealt with at the discretion of the Board.[1]

[1] By-Laws of the Western Fruit Jobbers' Association.

That the organization takes somewhat seriously the stipulations of its By-Laws that all members must conform to a high standard of business dealing is indicated by frequent comments in its monthly magazine, *The Western Fruit Jobber*. In the issue of December, 1916, appears the following: "During the month of November the directors have passed favorably upon the following applications [a list of nine firms]. It must be borne in mind that all applications filed with the organization for membership are not accepted, but only those that the Executive Committee of the Board of Directors feel come up to the requirements laid down by the By-Laws. The above new members have stood the 'acid test' and investigation and inquiries made by the directors lead them to believe that these firms are worthy of fellowship in the organization."

And in the issue following a member offers a set of congratulations to the association upon the completion of thirteen years of successful work — "thirteenth anniversary of the day when practical help and brotherly love joined hands in the formation of your association."

Three of his paragraphs follow: —

Of these four associations, however, the National Poultry, Butter, and Egg Association demands a word of special attention, because it exerts one type of influence not common to the other national organizations. Besides undertaking legislative, transportation, and standardization services similar to those of the associations of fruit and vegetable dealers, this organization becomes a significant factor in actual trading operations, particularly in connection with eggs. This result comes about through the annual convention, which is held about the first of October at Chicago, the headquarters of the Association. At the 1916 meeting over one thousand active members were in attendance and it was reported that more than one hundred thousand cases of eggs were sold.[1] It is possible that this figure was exaggerated (one of the largest of these deals later fell through), but, at all events, this gathering of traders from all over the country becomes a clearing-house of information, gossip, and opinion, as to the movement of storage goods, which is just getting under way. It can hardly be other than an important equalizing force on prices.

Perhaps even more important in this regard are the conventions held by the shippers' associations of the important egg-producing states, such as Missouri, Illinois, Indiana, Iowa, Nebraska, and others. These are held in the spring, just when the big laying season is opening up and when eggs are being bought for cold storage. The dates of the meetings are so arranged as to succeed each other, and

"Congratulations that every one of your members must be just, whose business has been thoroughly investigated before applying to you for membership.

"Congratulations on the great sermon your whole association preaches to the text, 'Truth, Power, Square Deal, and Justice to All.'

"Congratulations on your thirteenth anniversary of demonstrating the Golden Rule."

[1] This trading, of course, has no connection with the meetings of the association. It is purely private trading which takes place in the lobby of the hotel or at the stores of the Chicago dealers.

many dealers plan to make a tour of the circuit. At these gatherings Chicago merchants are always in evidence, extending their personal acquaintanceship among shippers, adding to their stock of information about local sources of supply or about local pure-food rulings, transportation rates and rulings, and any other matters of interest. Particularly active is the discussion about the outlook for the season's production and the probable volume of shipments. Both formally in the sessions of the Association, and informally in the conversations of the shippers and dealers, the whole situation is reviewed, and at the end a fairly definite conclusion is arrived at as to the price at which it will be profitable to store eggs for the coming season. Opinions may vary within a certain limit, to be sure, but every one gains a certain "feel" as to the fundamental conditions of the business. Whether it be a "bear" sentiment or a "bull" sentiment, it will tend to color all his price offers for the season.

The trade papers report all these conventions very fully, and in addition, through their local representatives and through a wide correspondence, get a forecast of each crop, which is an important factor in the trade. Thus, just before the opening of the strawberry season, they publish an extensive summary of what they call "the outlook for the strawberry deal." This consists of a symposium of opinions of prominent growers and shippers as to the amount and quality of fruit that will probably be sent to market. Similarly, they give data as to acreage, condition, and movement of crops, as issued from time to time by the United States Department of Agriculture, periodical reports of goods in cold-storage warehouses, a weekly sheet of price quotations from various important markets, and a large number of local dispatches concerning produce transactions, producing conditions, and other matters of interest to the trade. Through this news service, through their advertising facilities, and through the exposure of

the "crooks" who infest the business,[1] these papers become an important cog in the machinery by which the business of selling produce is carried on.

Naturally, in a business of this kind, prompt and authentic information about market conditions and prices is an important aid to the trader. To meet this need, the Federal Bureau of Markets instituted in 1916 a Market News Service, which issued daily mimeographed reports on the principal fruit and vegetable products in the most important cities.[2] These sheets [3] were supplied to shippers' and producers' associations, produce dealers, newspapers, agricultural colleges, and other interested parties, and served a useful purpose in giving a broad and impartial view of the market to those engaged in buying and selling operations. This service was resumed on an enlarged scale in the spring of 1917.

Chicago prices and conditions are also reported in a small sheet known as the *Daily Trade Bulletin*. To this publication the produce merchants subscribe, each taking such a number of copies as he finds use for in his trade. A copy is enclosed in each letter of remittance sent to country shippers by the commission merchants or in the letters of solicitation which they send out.[4] While the prices it quotes are in no sense official, they are looked upon by shippers as an indication of what is to be expected from goods sent to this market upon the day covered by the particular *Bulletin*.

[1] They offer, through their local representatives in the different markets, to investigate the complaints which shippers desire to make concerning unfair treatment from produce merchants. Some of *The Packer's* exposure articles are shown in Appendix A.

[2] An experimental service covering four commodities — cantaloupes, strawberries, peaches, and tomatoes — had been in operation during 1915. Onions were added at the opening of the 1916 season and then potatoes, cabbage, apples, and other crops, — sixteen in all.

[3] A specimen is reprinted as Appendix B.

[4] A specimen page will be found as Appendix C.

CHAPTER IV

THE WHOLESALE MARKET — ORGANIZATION (*continued*)

In the preceding chapter a brief account has been given of the various middlemen of the Chicago wholesale produce market and of the associations into which they are organized. In order to get an adequate idea of the way in which the business is actually carried on, however, we must look beyond the confines of the local marketing area and seek a view of the whole process of which this city handling is but a single phase.

For convenience we may divide all selling of produce into three classes. First, there is the producer who brings his own goods to market and does his own selling here. Second, there is the producer who ships his goods to this market to be sold by some other person, but for the shipper's account. Third, for a large class of goods, absolute ownership passes into the hands of professional traders at some early stage of the marketing process (for example, at the farm or the local shipping point) and their subsequent movements are under the control of these dealers. The first two of these methods — direct selling and commission dealing — are comparatively simple modes of doing business, but the third presents some complexities which call for close examination.

Direct selling plays an insignificant rôle in the produce business of Chicago. With the lake on one side of the city and with the land side occupied by manufacturing and residential suburbs, carved up by railroad rights-of-way, or given over to steel mills, sand dunes, or milk farms, there is but little area, within hauling distance of the city, which is available to the truck-grower or the fruit-farmer.

We have already observed, also, that Chicago offers but little attraction to the more distant producer to bring produce in car-lots and job it out to retailers in the railroad yard. On the whole the greatest possibility of direct wholesale [1] selling by producers in the Chicago market lies in the direction of coöperative marketing by growers' "exchanges" or selling associations. Such is the case of the California Fruit Growers' Exchange and a few others of large size, but the smaller organizations still find it necessary to sell to wholesale receivers at the shipping station or to sell on a commission basis in the city market.[2] And it should be noted also that even those large associations which maintain their own selling forces in Chicago and a few other large cities commonly sell to the jobber, not to the retailer, and much less to the consumer.[3]

The simplest form of commission dealing is that wherein the producer consigns his goods to a commission merchant in the distant market city, to be sold by him to retailers. This is a method which is convenient for producers located too far from market to do their own selling, and producing in quantities too small to call forth a more direct or permanent selling system. The poultry trade is a good illustration of a line which lends itself naturally to this means of dealing.

There are many farmers who occasionally have a few spring chickens, a coop of old hens, some turkeys, or other poultry to dispose of, and are glad enough to be saved the bother of trying to find a buyer for their goods. Many poultrymen also, who specialize in table eggs or show birds, have surplus stock to get rid of at irregular intervals,

[1] The producer occasionally attempts to *retail* goods to the consumer by means of parcel post or express shipments. This will be discussed later.

[2] See discussion of coöperative methods, chap. x.

[3] Not very long ago it was rumored that the California Fruit Growers' Exchange contemplated undertaking the retailing and jobbing of its own fruit, in addition to present wholesaling activities. The general manager denies any such intention.

largely in the spring and fall. Particularly in the latter case, where the cost of feed is carefully considered, it is a great advantage to be able to ship at whatever time the hens stop laying or whenever broilers come to marketable size, rather than to await the convenience of the local butcher or the whim of private customers. Easy access to a market which can always absorb such goods at some price is a great boon to a large class of small poultrymen, suburban gardeners, and farmers who produce a few vegetables, a little fruit, or some eggs and poultry as a side line.

Such shipments come to the Chicago dealer mostly by express, and all that the shipper needs to do is to tack the commission man's tag on his case of eggs, crate of berries, tomatoes, asparagus, or what-not, and deliver it to the express company. Empty chicken coops are returned by express, and the proceeds of the sale remitted by check on an early mail.

Commission merchants who handle this kind of business maintain mailing-lists of previous shippers or others whom they know to be producers, and make it a point to keep these persons supplied with shipping tags. Price-quotation cards or form letters are mailed from time to time, and special advice as to the needs of the market is sent out whenever current receipts tend to run behind the demands of buyers, or at seasons of special requirements, such as the Jewish holidays. Many commission merchants run a business card or advertisement in certain poultry or farm journals, or in local newspapers, in order to get their names before possible shippers and to solicit consignments. Where there is a somewhat specialized producing area or well-defined shipping season a personal representative is often sent out to solicit consignments.

It must not be supposed, however, that the direct and simple process just outlined is the only way in which the commission method comes into the process of marketing

produce. It may be that the goods which are consigned to the Chicago commission merchant are sent, not by the original producer, but have been bought from him by the local shipper or country buyer, who then employs the commission method of disposing of his goods. This is particularly likely to be the case if the local purchaser of the goods be the proprietor of a general store at which he has taken in the produce "in trade." But even the professional egg and poultry buyer and the country produce company who ship in car-lots may send their goods to a broker or wholesale commission dealer. On the other hand, the goods which the Chicago commission merchant has received on consignment from numerous local shippers may not be sold directly to retailers, but to a wholesaler who is making up a car for shipment to some other consuming or distributing point or perhaps to a speculative trader who is accumulating a block of goods for storage. Indeed, a commission transaction may be the first, the last, or any one of the intermediate steps by which the products of the farm move from the original producer into the hands of the retail trade.

But so interwoven are the methods of sale on commission with those of out-and-out purchase by the produce dealer that we cannot complete our account of the commission man until we have examined the practices of the dealer who buys and sells on his own account. For the dealer and the commission merchant are not, in the great majority of cases, two separate individuals, but the same person carrying on his business now in one manner and now in another. To understand the situation we must bear in mind certain peculiarities of the produce business and certain facts in connection with its growth and development.

Though country merchants, from pioneer times onward, have taken farm produce "in trade," and they or other local dealers have developed such business to a greater or

less extent upon a basis of cash purchases, dealing in perishables at city centers was long attended with too much risk to be organized extensively upon any other system than consignment. Freight schedules were so slow and uncertain, railway facilities so crude, and standards of production and of packing so divergent, that outright purchase by the produce merchant was out of the question. All he could do was to act as agent, accepting the goods as they came, selling them for what they would fetch, and taking a commission from the proceeds.

But the march of time has brought many changes, and these changes exhibit an interplay of influence between the technical conditions of production of perishable foodstuffs, the transportation and storage equipment by which they are handled, and the commercial organization of the produce business. In this process of reciprocal development the outright purchase of goods by the dealer for sale upon his own account has assumed greater importance, but it is a mistake to suppose that this means that the old commission business has been transformed into what is often referred to loosely as the "jobbing" method, or that the commission business is passing out of existence and that a time has arrived when legislation should deal it a *coup-de-grace*.[1] The real situation may best be understood by noticing some of the defects of the older attempts to market perishables and the changes introduced through the business enterprise of the merchant or growing out of changes in the field of production.

It has already been suggested that the goods which the early commission merchant undertook to market were as heterogeneous an assortment as the blind gropings of scattered and unorganized producers might make them. Like-

[1] See *Report of Chicago Municipal Markets Commission*, p. 22: "The Commission business is moribund and should have been discarded long ago. . . . Due to the dissatisfaction felt by the producer toward the commission man and definite economic reasons, the commission man is slowly being supplanted by another middleman — the jobber."

wise they arrived in such condition and at such times as the weather and an unguided transportation system might dictate. The commission merchant's chance of getting satisfactory results was slim indeed, so long as he stood in this passive attitude, possessed of no control of the factors upon which he must depend for the desired marketing results. He was not even able to build up and hold together an efficient group of employees, because the more or less regular recurrence of slack seasons would compel the dropping of some salesmen or other trained workers or, by lowering the level of profits, prevent adequate payment for experience and special fitness.

Produce dealers early attacked these two problems, namely, the developing of sources of supply which, both as to quantity and as to quality, would most fully meet the demands of their market, and of securing an expert commercial organization of the business so developed. Turning to the first of these efforts: from the time the produce merchant enters business he begins to acquire familiarity with consumers' needs and fancies; he learns about many markets and the lines of access to them. But perhaps few or none of the goods which come to his hand through the voluntary activities of producers match up precisely in quantity, quality, character of package, or time of arrival with those desires of buyers. Here lies the merchant's opportunity; it consists in effecting a readjustment of these misfit conditions.

One of the first things he sought to change was the form in which goods were offered. Much has been done in this matter of securing high-grade products and of the proper sorting, packing, and transportation of such goods, but even to-day it stands in the forefront of the produce dealer's problems. In the earlier days much that was delivered to market was in a condition so unattractive as to cause a serious scaling-down of its price or even to render it unmarketable. The dealer who knew the tastes of his own

and perhaps of outside markets might sort out and repack such goods so as to obtain a fancy price for the best, but fair values also for the inferior grades, and a total return much above what could have been secured from the shipment in its original condition. Naturally, he added this cost of grading and repacking to the charges which he deducted from the "account sales" which he returned to the consignor of the goods. But such charges were often viewed with suspicion by the shipper. Likewise, the produce merchant observed that frequently the advance in price which was secured by this process of repacking considerably exceeded the cost of doing the work. There was then a strong temptation for him to buy the goods upon arrival and thus himself to profit by the whole of this improvement. Even though the price paid were quite all the goods would bring in that condition on the open market, such a practice would hardly satisfy a man of high ideals, but if the transaction were moved back to the producing territory and the dealer bought from the grower at his farm or at the shipping platform, he might entirely meet the demands of fair and open dealing and yet secure this margin of profit for himself.

Such a movement has gone on to a considerable extent and has been one phase of the development from consignment to outright purchase as a marketing method. In most cases, to be sure, the dealer has not desired to have this clutter of sorting and repacking going on at his Chicago place of business. Rent and labor are too expensive here and it is poor business to pay freight or express charges on that portion of the goods which is eventually culled out. In many cases, therefore, the Chicago dealer has built or rented a packing shed at the shipping station, where he buys goods as they come from the producers' fields or orchards, has them packed according to his own standard by his own employees, loaded (and perhaps pre-cooled or iced) under their supervision. In some cases

this desire of a Chicago dealer to provide for a very particular quality of goods to supply a definite trade has led him to erect expensive packing-houses, permanent warehouses, and cold storage plants at numerous points throughout the producing districts. In such a case every effort is made to capitalize these efforts into a trade reputation and to market the goods under the dealer's private brand or trademark.[1]

On the other hand, many produce merchants prefer to specialize exclusively in the marketing function and to leave these supplementary tasks to others. Such dealers will purchase from growers,[2] and seek to secure satisfactory grades and packing by refusing to purchase inferior goods or by offering prices which show a profit to the producers of goods of superior quality.[3] It is evident too, that commission transactions may continue alongside this newer type of dealing — flourishing, in fact, with this growth of the movement toward better and more dependable quality

[1] Some dealers purchase in advance the whole or some stipulated portion of the output of one or more growers whose producing ability is already known. Others lease farms or orchards and have goods produced under their own supervision or upon contract. In a few cases the dealer (generally a partnership or incorporated company) actually owns the producing property. For example, one of the large apple-distributing firms claims that nearly half of the goods which they handled in a given season — they handled more than one hundred thousand barrels — "was off our own orchards and *all* packed by our own men to insure pack and quality up to our usual standard."

[2] Or from dealers at primary marketing points who, in turn, have purchased from growers or have secured goods on consignment. This relationship of Chicago to subsidiary market centers will be discussed later.

[3] Many agencies have been engaged in teaching farmers and orchardists the best methods of preparing their goods for market. Doubtless, in general, this work can be done more cheaply, and in many cases — particularly those of perishables — better, by the producer than by the dealer, provided the grower knows in advance in which market his goods will be sold. Since market requirements differ widely, however, this method is not always feasible. The question as to where the line between the work of the producer and the distributor may most advantageously be drawn is discussed elsewhere (pp. 61 ff., 176–80, 207).

in the goods offered by producers. Likewise, as we shall see later, certain lines of the trade seem to lend themselves more readily to the consignment system and to resist the movement toward outright sale to dealers, and some part of practically every line of the business seems bound to continue upon that footing.

A second aspect of the movement toward outright purchase by wholesalers and jobbers connects itself with the effort to secure supplies of goods at the times best suited to the satisfying of consumers' demand. When the merchant found that some consumers in his market wanted fruit or vegetables out of their local season, he was able in some cases to secure these supplies upon a commission basis. But as the sources of such supply were far away and the goods highly perishable in character, he often found the distant producer loath to assume the risk of shipping on consignment. Under these circumstances the offer of cash in the producing territory was often the only means whereby the produce merchant could secure goods for his trade at times when they were not available from local sources.[1]

[1] By opening this larger market to the grower on the basis of an assured price, the produce merchant has had an important influence in building up many of the specialized truck- or fruit-growing sections, notably those of the far South and West. The importance of this service in assuming risks will be treated more fully later, but it should not be overlooked at this point that the prosperity and growth of many a producing section has been due to the financial assistance which it received through its market connection. All through the trade are to be found examples of the financing of country shippers or of producers by the Chicago houses with whom they deal. This may be for only a very short time, as in the case of a sight draft sent to a Chicago receiver by a Florida, Texas, or California shipper as soon as his car of fruit or vegetables has been loaded. If he carries on the transaction by telegraph, he may have the funds perhaps two weeks before the goods have arrived at the market, been sold, and payment made to the dealer. To that extent the local shipper is using the capital of the Chicago dealer. Ordinarily, of course, drafts are paid only after goods have arrived and been inspected, but in other cases the financing of the shipper may go even farther back, through the payment of "advances." Where a produce merchant makes a contract in advance to handle the output of a particular grower or a producers' association, it is not unusual for him to pay a stipulated sum

And the same proposition would apply to the securing of goods in a poor season when near-by supplies had failed. The produce merchant must then seek to get his stock from more distant producing sections and, in meeting the competition there of merchants already having connections in those fields, outright purchase on a competitive price basis would be the surest way of getting the goods.

But perhaps the most important work of the produce merchant in the way of securing time utilities for his patrons has come about in connection with the development of storage methods. In the old days enormous quantities of produce went to waste for the lack of an immediate market. Other quantities were stored after a fashion, but suffered much loss through deterioration. Not less important, however, was the fact that both consumption and production were curtailed because of the lack of proper means of equalizing supplies. Here again the dealer saw the road to a profit if he could secure control of the goods so that he might obtain the margin of price which would accrue from better distribution in point of time. This commonly meant purchase of the goods.[1] It also meant the erection of frost-proof warehouses, cold storage plants, buildings which were damp-proof or specially ventilated, and — in the case of sweet potatoes — even dry kilns.[2]

per crate, per barrel, per acre, or what-not, at some specified time during the growing or harvesting season in order to give the producer the money he needs to carry his operations through. This practice is followed by commission men as well as by dealers who purchase goods upon their own account.

[1] In some cases the commission merchant now stores goods for a consignor's account, later disposing of them upon instructions from the owner or acting upon his own judgment.

[2] An important aspect of all this is that we were getting a better machinery for handling our perishable food products and that the produce dealer was contributing much of the capital for this special equipment. Many of the warehouses he built and operated for himself, either at shipping points or at the market center. Others, such as the cold storages, were built by separate companies, but such companies often secured their capital in whole or in part from members of the produce trade.

With goods bought and put in suitable storage, the dealer was in a position to supply his patrons at all seasons, according to their wants. It is now in order to notice how this evolution of the business also permitted the dealer to effect an organization of his business system on a basis which would achieve internal efficiency. We have been discussing certain phases of the trend of the produce business away from the uncontrolled and fluctuating conditions of the older day. Another feature of the matter is that then some months of the year were practically bare of business while the rush of other seasons brought confusion, waste, and dissatisfaction to all parties concerned. The trend has been toward a steady, predictable, controlled flow of business, organized on a twelve-month basis. The old-time produce dealer had to handle practically every line of goods available in his market in order to make his active season as long as possible. But present conditions demand that he shall have expert knowledge of widely scattered and remote fields of production; that he shall master the technical details of an elaborate system of transportation, refrigeration, and business finance; and that he shall be deeply versed in the precise demands of all portions of the market, a connoisseur of quality, and a master of the art of market promotion and salesmanship. This has suggested the wisdom of specialization in a limited number of produce lines so chosen as to be mutually complementary and to give a tolerably steady volume of business. A few concerns still handle poultry, eggs, and butter along with fruit and vegetables, but "The House that's Strong on Onions," "The Cabbage Kings," "Headquarters for Southern Truck," "Apple Specialists," and similar advertising phrases indicate the character of the trend toward specialization. "The house that's strong on onions" also handles cabbage, root vegetables, and apples; and another firm has evolved an effective organization based on Texas onions, Northwest apples, and Imperial Valley canta-

loupes. Other minor lines will be worked into such an arrangement, as opportunity offers, but in their main specialties these concerns have built up a permanent clientèle and an efficient business organization.

In developing such a business, the merchant seeks to create or to organize a certain volume of demand in such a way that it will constantly turn to him for supplies. Let us suppose, for example, that he thus holds himself out to buyers as a dependable purveyor of peaches. In order permanently to hold his trade he must be in a position to get peaches if any one can, and this means being ready to buy peaches wherever they can be found, be it Georgia, Arkansas, or California. Furthermore, even the produce house which has developed its main line or lines of business upon a commission basis may depend upon purchased goods to fill out and equalize the volume of its business. Such minor lines may be of a temporary character and show considerable changes from year to year.

In a general way it may be said that the more recently developed parts of the produce business — and they constitute a very large fraction of the whole — have inclined to the purchase rather than the commission method of dealing. The increasing importance of the wholesale receiver and the jobber results from the growth of their business in these new directions more than to an actual falling-off in the older departments of the trade. This would apply noticeably to those commodities which, thanks to modern methods of refrigeration, may be stored in the flush season and marketed over the larger part of the year. A large percentage of them are bound to pass at the beginning of this process out of the ownership of the producer to that of the dealer. It applies likewise to the car-lot business in high-grade perishables which are brought from remote distances and over which there needs to be the protection of a close personal interest at every step of their market career. On the other hand, such goods

as are dealt in in small lots and locally (such as the express receipts of eggs and live poultry) must of necessity continue to be consigned. This will perhaps serve to explain the remark made early in this chapter that "a commission transaction may be the first, the last, or any one of the intermediate steps" in the marketing of produce. Thus, many supplies of fruit, vegetables, eggs, and poultry are gathered by dealers at primary marketing points, who receive goods on consignment from small, local producers. These dealers — often called "concentrators" — in turn may send their car-lot shipments to commission men or brokers or they may sell them at their shipping point to buyers representing the dealer of the central market.[1] For example, an Iowa farmer sells two cases of eggs to a local merchant, who consigns them to a concentrator at Sioux City; he includes them in a carload which is sold outright to a Chicago wholesaler, who sends them to a broker in New York City. There they are sold to jobbers or to an exporter.

It is doubtless natural that criticism should be directed from time to time against produce merchants who receive goods to sell on commission and who also buy and sell on their own account. Reformers have suggested that this practice should be forbidden by law, but in response to all such suggestions the dealers point to certain advantages which they assert accrue to the shipper from the present arrangement. Admitting the advantages of the purchase method of which producers now gladly avail themselves, it is claimed that they would lose rather than gain if the dealer who serves them in a marketing capacity by buying their goods and assuming the risks and profits of distributing them were deprived of the opportunity of rendering further service on a commission basis. The dealer argues that he assumes all the risks which sound business judg-

[1] Or by the exchange of letters or of telegrams may arrange such sale directly, without the intervention of the traveling representative.

ment will permit in his regular buying operations. If, now, there are peculiarly uncertain conditions affecting some portion of the shipping season, such as the unsettled period at the opening of the movement of winter tomatoes or early strawberries, to pick two convenient examples, or at a time when several producing sections overlap and threaten to glut the market, the instinct of self-preservation forces the dealer to cease his buying operations.[1] If he is then estopped from handling business on a commission basis, the shipper's opportunity of marketing his product (supposing he desires to assume the risk of doing so) is impaired rather than improved by an injunction against the erstwhile buyer's handling of his consignments.

It is well to remember, too, that it is often the shipper's demand for immediate returns which causes the merchant to sell consigned goods to himself. Remitting to the shipper at the market rate, he takes the chance of being able to dispose of the goods at some future time without

[1] One who read this chapter in manuscript expresses doubt upon this point and asks, "Will not the dealer buy, but offer a lower price so that the wider margin will cover the greater risk?" To an extent, yes. But in the rather extreme case cited above, after he has "assumed all the risks which sound business judgment will permit," experience shows quite definitely that the dealer does cease to offer any price, even a low one, and that shippers under such circumstances still continue shipping, but upon a consignment basis. They are risking only transportation charges, whereas the dealer would be risking the whole of his purchase price in addition. The following statement is typical: —

BUYERS SHOW NO INTEREST

NOT WILLING TO TAKE CHANCES ON TOMATOES

More Consignment Business on the East Coast than Usual

Miami, Fla., April 16. — There has been comparatively little f.o.b. buying here during the past week, the stock either being forwarded subject to inspection or being consigned. Buyers have been stung pretty badly, as the stock did not carry well. Weather conditions have been such during the past 10 days that stock ought to carry well, but buyers are not disposed to take chances. Fancy tomatoes are quoted $2 @ 2.10, with choice 50c lower, but a buyer who is willing to take chances on the stock carrying right could get all he wants at $1.75 to $1.90. This would give a chance for big profit if the stock showed up on the market in the right kind of condition.

loss to himself. In so doing, he is seeking to serve his client's interest, not to defraud him.[1] Let us take the case of a Chicago dealer who has received a car of apples on consignment. There are six hundred boxes, and the commission merchant disposes of the larger part of them in lots of fifty or a hundred boxes. The car must be emptied or demurrage charges paid. Also, the shipper is anxious for his money. There are perhaps twenty-five boxes left. The commission man takes them over, charges them to his own account, and sends a remittance to the shipper. Now these apples must be hauled to his store and peddled out in small lots of perhaps five boxes at a time and perhaps only one. Goods in such lots must generally be sold at a sacrifice, as buyers view them with more or less suspicion. They may knock around from pillar to post until they do become actually inferior in quality. If so, the dealer will probably lose and the shipper gain through the buying operations of the commission merchant.

The whole matter comes down finally to a question of the most advantageous division of function between those who are primarily producers and those who are primarily merchants, particularly as concerns the distribution of risks. If the grower sells his product at his farm or local shipping station, he avoids all further risk and surrenders all further chance of profits. On the other hand, if he elects to consign, he takes the responsibility of selecting the particular market, a certain agent, and the time and manner of shipping his goods. If it be a brokerage transaction, he still reserves the right to accept or reject offers and, as indicated above, may store his goods and speculate for a better market later. In other words, he is retaining a considerable share of the marketing function in his own hands. Whether it is possible to get better

[1] Though, if he does lose on such a transaction, there is undoubtedly created a strong temptation to sell himself some other goods upon which he is certain to recoup his loss.

results by so doing will, of course, depend upon the particular circumstances of time and market situation. Unless the grower is thoroughly informed as to market conditions and methods, it is by no means certain that he will do better by the commission method. The large producer and the coöperative association of producers can often afford to develop a special organization for handling goods up to their final sale in the central market. But it is significant that many of them sell their goods outright at the local shipping platform whenever possible. Even among the coöperating California citrus-growers there is a strong faction who urge that all sales should be made "f.o.b. California" and a like sentiment is frequently heard among Northwest apple producers. But the California Fruit Growers' Exchange continues to "tramp" its cars [1] and to sell its wares through brokers, auctions, or its own representatives in the various Eastern markets. However these particular differences of policy may ultimately be worked out, there can be no doubt but that there are enough growers willing to assume the risks of consignment marketing or offering goods in such small quantities or under such unfavorable circumstances that no cash buyer is forthcoming, so that a large volume of goods will continue to be handled on commission for as long a future as we can foresee. Indeed, one of the largest and strongest produce firms in Chicago relies exclusively on consignment business, basing its appeal upon the fact that they have "no purchased goods to compete with your consignments — no bought goods of our own to claim *first* attention."

Finally, it appears that, whether the form of business relationship be that of commission dealing or of trading upon their own account, produce merchants are to-day

[1] That is, sends them East unsold, consigned to their own representatives in the central markets or at convenient diversion points. For a discussion of these shipping arrangements see chap. v.

considerably enlarging the size of the operating unit through which their business is carried on. For several years past there has been a well-marked movement toward the integrating and federating of the agencies by which produce commodities are marketed. This is but the natural response to the demand of the grower that he shall have a cheaper and more efficient means of distributing his product and the outcome of the keen competition among produce dealers to enlarge their volume of business and their profits through increasing the efficiency of their service.

Such growth of large sales agencies through the process of integration or of federation is of two fairly distinct types. One of them begins with growers or local shippers and aims to effect an organization which is of sufficient magnitude to call for the establishing of branches or sales offices in the great central markets like Chicago. The other represents the expansion of the Chicago (or other) dealer's business until it embraces other cities, large and small, in its scope. Sometimes these two types of growth are blended in a yet larger coalition. This is perhaps the normal outcome of the process, but our discussion will doubtless be simpler and clearer if for the moment we regard them as distinct.

The California Fruit Growers' Exchange is the familiar type of comprehensive selling organization which may be built up by the federation of a large number of small local exchanges. Through it, some eight thousand producers have acquired a thoroughly trained selling force and the most up-to-date equipment for handling their product. Growers of Florida citrus, of raisins, of nuts, apples, and various other kinds of fruit and vegetables have moved in this same direction.[1] Such a selling department has its headquarters in the producing section, whence it seeks to

[1] But the majority of producers' coöperative exchanges differ fundamentally in that they are organized primarily for shipping, or for f.o.b. selling, not for the more ambitious type of market distribution.

organize the whole market, finding out and stimulating the demand for its product, and supplying this demand with the highest possible degree of efficiency. Under a system of this kind the Chicago wholesale seller of the given commodity is the salaried employee of the distant centralized selling department of an organized producers' group. He develops the local field to the best of his ability, but sales policies are not determined by him nor by the individual producer, but by the exchange management at Riverside, Jacksonville, Fresno, or other points.

The second type of this first class of consolidated selling arrangements is that which springs from the primary market. With the growth of numerous specialized producing sections in various parts of the United States, certain cities and towns which are located at strategic points have assumed importance as buying, storing, and shipping centers.[1] Thus Sacramento has become a primary market for California fruits and vegetables, Fresno for raisins, Brawley for cantaloupes, Wenatchee for apples, Laredo for onions, Fort Worth for turkeys, and so on through a long list.

We have already spoken of the activities of Chicago dealers in exploiting these distant fields; home enterprise in each of these local and primary markets is likewise active. Local firms or individuals spring up and grow with the growth of the industry, striving to improve their selling ability and lower their costs in order to make them stronger competitors for additional business. As such a concern prospers and accumulates capital it may enlarge its field of operations and establish additional places of business at other concentration points. If the logical result follows, the larger volume of business so obtained can be handled more cheaply and better results can be secured in the market. If such benefits appear, other firms which are not in a position to establish branches of their own, will

[1] Likewise, goods are frequently graded and repacked at these places; eggs are candled, poultry dressed, and cream made into butter.

secure the same result by affiliating themselves with friendly or competing concerns at near-by market points. Such a consolidation or "chain" arrangement is likely to be accomplished through the process of incorporation and the distribution of shareholdings among the constituent produce houses. One such corporation, which not so many years ago was a small partnership, is now incorporated for $1,000,000, includes thirty-one "associate houses," and is still making additions to its family group. Starting from Minneapolis, it has now nine branches in Minnesota, six in North Dakota, one in South Dakota, one in Wyoming, eight in Montana, one in Iowa, two in Michigan, two in Canada, and one in Chicago. This last member is of importance not only because it gives the organization their own selling agency on a large market, but also because it enables them to buy other classes of goods for distribution through their branch houses. Other groups of from three or four to a dozen houses are to be found in every important consuming section.

On the other hand, the large fruit and vegetable shipping companies of the West and South are of a similar type of organization. The California Vegetable Union, for example, is not a farmers' coöperative union, but an incorporated wholesaling company, operating shipping stations in various producing sections. Another big California fruit company which last year (1916) did some buying in the Northwest has now been reorganized to absorb a previous Northwestern fruit company and to extend the business. This concern will ship thousands of cars during the season. It will doubtless maintain a representative in Chicago, but sell through the auction. Its sales arrangements for all markets will be determined from its Western headquarters.

It will be observed that the tendency and purpose of all this large-scale selling organization is to mobilize a large volume of supply and to market it under a unified and cen-

tralized control. A similar movement has gone on at the other end of the marketing process. That is, there has been a like attempt of dealers to enlarge the field of demand which they can mobilize to bring to the service of sellers. To this end a few Chicago dealers have established branches in other cities; many have established special trading agreements with dealers in other cities where they desire to enlarge the outlet for their supplies; and a few years ago efforts were begun which secured the establishment of a national sales association. This is simply a selling organization which embraces under one management all the principal markets of the country — one hundred of them, — from Boston to Seattle, and from Tampa to Winnipeg. In each of these cities the company keeps a permanent trade representative, whose services are placed at the sellers' command. The ideas of the founders of this company were set forth in 1911 as follows: —

> The time is ripe for uniting the efforts of various fruit growers' exchanges into one central sales exchange, international in its scope and operations, enabling each exchange to enjoy the broadest representation, and the most efficient salesmanship in the markets of the world, at a reduced cost.
>
> To this end a number of prominent exchange officials, producers, and shippers, of national reputation, have united in organizing the North American Fruit Exchange.
>
> The general trend among exchanges everywhere, in conscientiously handling the business, has been toward salaried representatives in the markets. The volume of business control led by a single exchange is frequently sufficient to warrant representation in only a comparatively small number of markets of the world. A local exchange whose shipping season lasts only a few months, is confronted with the difficult problem of obtaining satisfactory representation of a temporary character. There exists in all these organizations a desire to improve conditions. Even where unusual success has been achieved through the untiring efforts of the management in the interests of the grower, it is recognized that closer coöperation must be developed between all producers, to the practical end of providing broader consumption to meet increased production, and to eliminate many glaring defects and abuses existing in the fruit and produce business.

The law of evolution is active.

Leading men identified with fruit production everywhere, unanimously advocate that growers apply to their business the same well defined principles so successfully employed in other well organized lines of commercial activity.

Upon this basis they have built up a business of over twenty thousand cars [1] a year. But there has been no general stampede of business away from older methods,[2] and the established individuals and firms in Chicago and other markets appear to flourish in the face of this new type of competition. Nevertheless, the venture is significant evidence of a drift toward larger operating units or groups.

A still more ambitious plan to effect a merger of large proportions was set forth in the announcement of the General Sales Agency of America. This project was launched early in 1915, as a coalition of some half-dozen big shipping organizations with several distributing agencies.[3] These latter represented a very large volume of demand "in every car-lot market throughout the United States and Canada and the principal foreign markets." Their work was to be unified under an "executive committee, thereby securing the greatest sales efficiency together with reduced cost of handling these products." [4] It was estimated that this organization would have charge of the marketing of "seventy-five per cent of the deciduous fruits of California, seventy-five per cent of the vegetable output of California, a large block of the apple crop of the Northwest, nearly all of the independent banana business coming into this country, and twenty to thirty per cent of the citrus output of California. In addition to this there

[1] Their figure. Rivals aver it contains duplications due to the handling of goods from one branch to another.

[2] They have now devised an interesting compromise organization in the "Flying Squadron" of expert salesmen which they offer to install on a salary basis at any large shipper's station during his active season.

[3] Including the North American Fruit Exchange.

[4] Official statement of Charles E. Virden, second vice-president.

will be some 4000 or 5000 cars of Florida oranges, a percentage of the Georgia peach crop, quite a portion of the Texas onion crop, and the Michigan grape crop." [1]

Two years' experience seems to indicate that the large hopes of the founders of this organization are not to be at once realized. The constituent concerns have not sunk their individual identity in the parent company, as was at first predicted. It continues, however, as a sort of league of interests or an operating pool, constituting a more or less oligarchic group interest in the principal markets.[2] In Chicago, its moving spirits have attempted to enlarge their influence through active control of an auction company. It may be added, too, that the prime mover in the whole matter is an ardent advocate of the commission method of dealing and of the increased use of auctions, as already mentioned,[3] and that this consolidating movement — whether of the coöperating type like the California Fruit Growers' Exchange or the capitalistic General Sales Agency — contemplates the offering of a comprehensive selling service upon a fee basis, rather than the concentration of ownership of these goods through the methods of dealers' purchase previously discussed. It should be remembered also that this large-scale organization is practically limited to car-lot business and in no case would go farther than to include some jobbing agencies.

In summary, then, we may say that the Chicago wholesale produce merchant does not to-day organize his business only in the form of a separate and independent unit dealing, on the one side, with producers, and, on the other, with retailers and large consumers. For, besides this type

[1] *The Chicago Packer*, May 8, 1915.

[2] A certain feeling of dissatisfaction with the close control of the General Sales Agency gave rise, early in 1916, to talk of the formation of a rival organization of similar scope and character. This talk seems not to have crystallized into tangible results.

[3] See p. 36.

of business, many others have grown up. The Chicago establishment may be the local branch of a wholesaling company whose headquarters are in New York, Pittsburgh, or Minneapolis. Likewise, it may be one in a chain of wholesaling and jobbing stores, located at important points for the concentration or distribution of supplies, or for both. Finally, the Chicago selling agency may be merely the local representative of a marketing system which has organized the distribution of some one class or of several classes of goods upon a national scale. In this case executive control may be exercised from this or from some other large central market, or the seat of control may be located in or near to the producing field. This will be determined largely by the source from which the consolidation movement originally sprang, whether from shipping or from distributing agencies.[1]

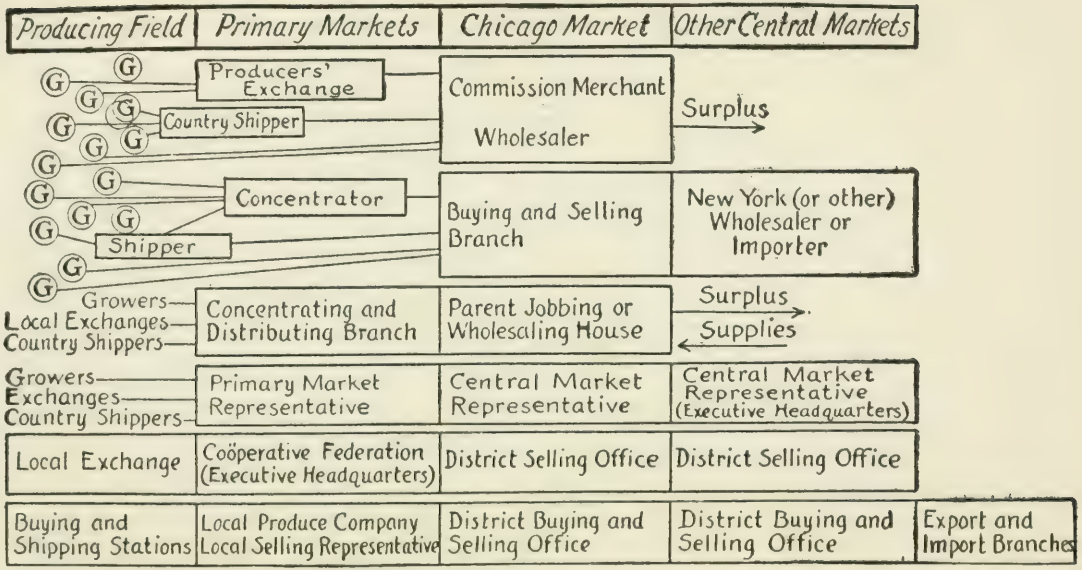
These relationships will perhaps be made more clear by the accompanying diagram on page 70.

[1] The complexities of organization which have grown up in the modern produce trade might be illustrated in another way by taking a cross-section through the business at the point where some one individual stands in the system. Such a picture is presented quite vividly in the newspaper account of the business affiliations of a prominent produce merchant who died in Pittsburgh recently: —

"Mr. —— was president and director of the California Fruit Distributors; treasurer and director of the Connolly Auction Company of New York; secretary-treasurer and director of the Connolly-Fanning Company; president and director of the Fanning-Charters Fruit and Distributing Company of New York; president and director of the James M. Fanning Company of New York; treasurer and director of the Earl Fruit Company; treasurer and director of the James B. Coll Company; president and director of the Pittsburgh Fruit Auction Company; vice-president and director of the Producer's Fruit Company, and secretary and director of the Union Fruit Auction Company."

Besides these connections, this man's activities included the promotion and direction of a trust company which was the principal banking agency of the produce district in his city. His case could be fairly paralleled amongst the dealers in the Chicago market. To make the list of possible interlockings complete, we should remember that the produce merchant is frequently interested in cold-storage enterprises and in producing operations as well as the array of business affiliations presented above.

TRADE RELATIONSHIPS OF THE CHICAGO PRODUCE ESTABLISHMENT



Where squares are contiguous, it indicates that the establishments so indicated are parts of the same business organization. Where a space intervenes, such affiliation is lacking. Lines show the movement of goods between such independent concerns. G stands for "Grower."

Reading down in the above diagram, we progress from the independent commission merchant or wholesaler to the group of stores under one management, but doing business at several points. Passing from the two types of this chain system, we have the selling federations, first capitalistic, second coöperative in character. Last comes the (only partially realized) merger of shipping and distributing agencies into a comprehensive marketing syndicate.

CHAPTER V

THE WHOLESALE MARKET — TRANSPORTATION AND STORAGE FACILITIES

It is evident that the present organization of the produce business has been determined in many of its important details and even in some of its general outlines by the possibilities offered for, or the limitations placed upon, the physical handling of goods. The present development of specialized producing centers in regions of favoring climate or extraordinary soil conditions and the business organization for handling this long-distance trade have progressed step by step with the evolution of transportation facilities and services. Likewise, the distribution in point of time and place has been mediated more and more by artificial methods of preservation and particularly by the supplying of cold-storage warehouses.[1] In view of this importance of transportation and storage facilities in the organization of the business and in the determination of market supplies and prices, the present chapter will deal with some of the salient features of these traffic and storage arrangements.

While the development of long-distance shipping of perishables began shortly after the close of the Civil War, and the foundations of the present system of refrigerated transportation were laid in the latter part of the eighties, when practicable methods of icing cars were perfected, it was not till after the recovery from the depression of 1893–96 that the great expansion of the trade in perishable fruits and vegetables came about. This applies particu-

[1] Another angle of this matter of the preservation of perishables is coming into greater prominence of late, viz., the saving of surplus products by canning and the utilization of the inferior grades in the manufacture of by-products.

larly to the marvelous growth of the Southern and Western field. The present development has been due in part to the extension of railroads into fields not previously equipped, — the Imperial Valley is a notable case, — but still more to the establishing of lower rates, better equipment, and additional services upon lines already in existence.

The contest over rates is perennial. In general, this class of traffic is one which is bound to pay high rates as compared with cheaper and bulkier commodities. The rates secured have been low enough to permit the growth of an enormous tonnage and the roads now realize that the business is one which it will well repay them to cultivate. Likewise, the produce dealers have several organizations of national scope whose active efforts are directed toward the securing of favorable treatment from the railroads or forcing such benefits through legislation or the intervention of the Interstate Commerce Commission. They have succeeded fairly well in establishing the principle that rates must be justified by service, and we may therefore examine the character of service furnished to the produce business.

First comes the question of refrigerated cars and other special classes of equipment.[1] Such cars were originally supplied by special car companies, owing to the fact that the railroads were timid about tying up their capital in relatively costly rolling stock which could be used during only a part of the year. In the beginning, they were even dubious as to the practical success of this type of transportation. The meat-packers, however, felt an imperative demand for such equipment; Gustavus Swift did valuable pioneer work and, later, the Armour Car Lines "became the most important private company owning refrigerator

[1] The principal other class of special cars are those used for live poultry. Of these there are probably not over a thousand or twelve hundred in use, as against fifty-five hundred or more refrigerated cars.

cars for fruit and vegetables." [1] By leasing cars from the private company as needed and by organizing subsidiary car companies of their own, most of the railways of the country have now put themselves in a position to furnish producers with suitable equipment. However, in seasons of heavy traffic, complaints of car shortage and consequent discrimination are loudly made. This was manifest in the Northwest apple district in the fall of 1916. It is evident that unless a producing field or shipping point can secure immediate and ample supplies of refrigerator cars for its perishables, its access to distant markets is at once cut off and its business ruined. This fact has intensified regional specialization and concentration of the business at central shipping points, where icing plants can be provided.

Icing of refrigerator cars [2] is done by the railways for their own cars and for those of the smaller private companies, but the large refrigerator car lines maintain their own stations both for initial icing and for the inspection and re-icing of cars at suitable points. Icing charges must be published in the same manner as freight rates and are, under the Hepburn Act of 1906, also under the control of the Interstate Commerce Commission. This power has been frequently exercised and considerable reductions have been effected. "The general course of refrigeration charges has been downward. The charges on fruit from California to Chicago, for instance, originally varied from

[1] See Weld, *Private Freight Cars and American Railways*, Columbia Studies (1908), and Johnson and Huebner, *Railroad Traffic and Rates*, vol. I, part II.

[2] It should be remembered that these cars, being insulated, are equally suited for use in keeping perishable products from being chilled or frozen. It has been estimated that about half of the goods carried in these cars is not iced. Much of this is carried under ventilation without refrigeration, some of it is supplied with artificial heat. When not iced, such cars are usually furnished without extra charge, but, particularly when short of this class of equipment, certain roads have levied a car rental of five dollars per car. If the carrier furnishes heat, charges are made in accordance with regular tariffs, subject to review by the Interstate Commerce Commission.

$185 to $245 per car, according to distance and season. They now (1911) run from $70 to $90, according as the traffic originates in the territory adjacent to Sacramento, San José, or Los Angeles." [1] Some comparative rates for both transportation and refrigeration on longer and shorter hauls may be seen from the accompanying table.[2]

In recent years it has been learned that thorough cooling of goods before shipment is not less important than good refrigeration in transit. Fruit and vegetables are commonly shipped during hot weather and if closely packed in a car at their natural temperature they cool but slowly. The refrigerating mechanism of the car is not such as to produce very low temperatures or a rapid movement of air, and consequently it may be a couple of days before the load is chilled through. The ripening process is not halted as it should be and decay soon gets a foothold, particularly at the top of the car near the middle. Ice can be saved and deterioration avoided if the goods are quickly and thoroughly chilled at the outset. This pre-cooling may be done in warehouses prior to loading in the car or may be effected by the forced passing of cold air through the car after loading but previous to icing. If the local shipper or producers' association has a cold-storage plant, the first type of pre-cooling is readily provided for; if not, the capital outlay involved may be a serious bar to securing the service. Car pre-cooling plants were at first limited to railroad or private-car company ownership and were operated in connection with the manufacture of ice and the icing of refrigerator cars. In 1908 the United States Department of Agriculture devised a portable pre-cooling plant (installed in a box-car) which puts this method of treating perishable products also within reach of the small shipping station.[3]

[1] Johnson and Huebner, *op. cit.*, vol. I, p. 227.
[2] United States Department of Agriculture, Bulletin no. 315, pp. 5–6.
[3] United States Department of Agriculture, *Yearbook* (1910), p. 440.

Car-Lot Freight and Refrigeration Rates on Cantaloupes in Effect during the Spring of 1915

(These rates are subject to change on legal notice)

To	From															
	Brawley, El Centro, and Imperial, Cal.				Las Cruces, N.M.				Rocky Ford and Las Animas, Colo.				Seaford, Del.			
	Freight service		Express service		Freight service		Express service		Freight service		Express service		Freight service		Express service	
	Freight per 100 pounds	Refrigeration per car	Express per 100 pounds	Refrigeration per car	Freight per 100 pounds	Refrigeration per car	Express per 100 pounds	Refrigeration per car	Freight per 100 pounds	Refrigeration per car	Express per 100 pounds	Refrigeration per car	Freight per 100 pounds	Refrigeration per package	Express per 100 pounds	Refrigeration *
Albany, N.Y.	$1.25	$112.50	$2.50	$105.00	$0.985	$72.50	†	†	$0.795	$65.00	†	†	$0.249	$0.11	$1.20	...
Baltimore, Md.	1.25	112.50	2.50	105.00	.97	72.50	$1.75	$75.00	.78	65.00	$1.375	$50.00	.189	.095	.64	...
Boston, Mass.	1.25	117.50	2.75	110.00	1.04	75.00	2.00	75.00	.85	65.00	1.625	50.00	.315	.11	1.28	...
Buffalo, N.Y.	1.15	107.50	2.50	105.00	.86	65.00	1.75	75.00	.635	60.00	1.25	45.00	.261	.11	1.35	...
Chicago, Ill	1.00	97.50	2.25	90.00	.65	†.60	1.25	55.00	.46	50.00	1.00	37.00	.368	.125	1.84	...
Cleveland, Ohio	1.15	107.50	2.50	100.00	.83	65.00	1.75	70.00	.605	60.00	1.25	45.00	.261	.125	1.43	...
New York City, N.Y.	1.25	112.50	2.50	105.00	1.00	72.50	1.75	75.00	.81	65.00	‡1.375	‡50.00	.21	.095	.94	...
Philadelphia, Pa	1.25	112.50	2.50	105.00	.98	72.50	1.75	75.00	.79	65.00	1.375	50.00	.189	.095	.64	...
Pittsburgh, Pa	1.15	107.50	2.50	100.00	.86	65.00	1.75	70.00	.635	60.00	1.375	50.00	.221	.11	1.20	...
Rochester, N.Y.	1.25	112.50	2.50	105.00	.91	72.00	†	†	.72	65.00	†	†	.249	.11	1.35	...
St. Louis, Mo.	1.00	97.50	2.25	85.00	.65	†.60	1.25	55.00	.41	50.00	.875	35.00	.431	.14	1.99	...
Washington, D.C.	1.25	112.50	2.50	105.00	.97	72.50	1.75	75.00	.78	65.00	1.875	50.00	.221	.095	.90	...

* Express company does not provide refrigerator service. If any is desired the express company will supply refrigerator cars for quantities in excess of 12,000 pounds, but shippers must furnish the ice.

† No carload rates in effect.

‡ Delivery at Jersey City only.

But, even with pre-cooling and with re-icing at frequent intervals, the time of transportation for delicate fruit and vegetables must be reduced as far as possible if these products are to come so close to ripening on the plant as to attain a good flavor and appearance [1] and yet arrive at market in satisfactory condition. This causes the railroads to supply such products with their fastest freight service. Fruit and vegetable cars are attached to the "red-ball" or "manifest" freight train, or, where the bulk of this traffic is large, a special train may be made up and run as a "vegetable express" on a fast schedule of its own. Chicago has received solid trains of Southern produce each over one hundred cars in length.[2]

"The average rate of speed over long distances for carloads of perishable freight depends largely upon the character of the roadbed and the number of transfers from one railroad to another. From Los Angeles to Chicago and from Jacksonville, Florida, to Chicago, the rate of speed averages about 13 miles an hour, including all stops. . . . A certain train from New Orleans to Chicago covers 930 miles in 57 hours and 20 minutes, the average rate being 16.2 miles per hour; and on the Atlantic coast a train carrying Florida produce northward runs from Tampa, Florida, to Richmond, Virginia, in 54 hours and

[1] This, of course, does not mean that fruit can be allowed to reach its full color or flavor before being picked. But, unless a certain point of "hard ripeness" can be attained before picking, these later stages of the ripening process will be so interfered with as to produce an inferior quality of product.

[2] Special districts will frequently furnish whole trains loaded with a single commodity — the "strawberry special," "peach special," or the like. The following newspaper clipping will serve to show how far special railroad service may be carried: —

"Hickman, Ky., April 30. — The C. M. & G. Railroad has made a special express arrangement with the Fulton Truck Growers' Association for handling car-lots of truck, and whenever as many as five cars can be made up at one time it will constitute a special train which will run directly into Chicago within twelve hours. The arrangement was made in an effort to encourage the truck-growing industry."

15 minutes, making an average of 15.8 miles per hour. After a train is once made up and does not have to stop so often to receive new cars the rate of speed is naturally much higher. Between Memphis and Chicago the average rate of speed for a certain train is 18 miles per hour, while the rate from New Orleans to Memphis is 14 to 15 miles per hour." [1] In order to reduce delays due to stops, railroads designate certain stations at which "red-ball" cars will be handled. Such freight loaded at other stations will be brought by local freight to the nearest point for the stopping of fast freight trains.[2]

Such freight, besides being handled on fast schedules, is generally covered by a special reporting system. The "passing report" is telegraphed to railroad headquarters by the local agent at certain designated points. It gives the number or symbol of each car of the "red-ball" or other preference trains which pass his station, together with the time of passing. These reports, recorded on paper or checked up on a train board at district headquarters, furnish a progressive account of the movement of the train and of the delivery, setting-out, or picking-up of cars. Through it the consignee is enabled to find out in advance just when he may expect his shipments to arrive and also

[1] United States Department of Agriculture, *Yearbook* (1911), pp. 168–69.

[2] We have been talking in terms of car-lot business, but it is evident that much less-than-car-lot (L.C.L.) traffic will also be available from small towns throughout any given producing district. Some of this is shipped to the larger towns by ordinary freight or by express and thence sent forward in car-lot shipments under refrigeration. In order to serve such business better, some roads are putting on refrigerated "pick-up" cars or private concerns are offering such a service on the freight forwarding principle. Such a forwarding agent with headquarters in Chicago may have representatives at every shipping station on a Southern railway. Each adds a few crates or barrels or sacks of produce until they constitute a full carload, which is consigned to the forwarder in Chicago. He attends to delivery to the various consignees. He pays the carrier the C.L. rate and makes his profit by charging the shipper some rate higher than that, but less than the L.C.L. rate.

just where a car can be located at a given time in case he desires to alter its destination.

Such a change of routing is known as "diversion" and is an important feature in the traffic arrangement for perishable commodities. Enormous quantities of goods are constantly being sent forward in the general direction of the great central markets without their precise destination having been determined upon. If, for example, such goods be moving from the Southwest, cars may be diverted at such points as Kansas City and St. Louis to Omaha, Minneapolis, Chicago, Pittsburgh, or other Northern and Eastern markets. Cars from the South Atlantic States may be diverted at Potomac Yard (opposite Washington) eastward to Philadelphia, New York, or Boston or westward to Pittsburgh, Cincinnati, Detroit, and Chicago. This gives the shipper or dealer a very flexible system and enables him to get the latest report of market conditions before deciding where he can sell to best advantage.[1]

Several other privileges of a somewhat similar nature have been developed and now have an important influence in the organization of the produce business. One of the most important of these is that known as "storage-in-transit." Let us suppose that we have Arkansas apples or Tennessee eggs. Cold-storage facilities are lacking at the producing point. The goods are being handled by a Chicago produce merchant, but he finds storage rates higher in Chicago than in smaller near-by cities. Also he is not as yet certain in which market he will eventually dispose of these wares.[2] He accordingly decides to put them

[1] It has been a common practice to grant the diversion privilege without extra charge. During the car shortage in the fall of 1916, however, several roads threatened to make a charge of three dollars per car on the grounds that delays at railroad centers would thereby be avoided. In the face of vigorous opposition the scheme was abandoned.

[2] One should constantly keep in mind the part played by Chicago as a transaction center for handling goods which eventually go to other consuming points. (See pp. 8, 28, 29, 82, etc.) For example, this city

in storage at one of these other points, say Indianapolis. Under a storage-in-transit arrangement he may, upon payment of a small charge (frequently five dollars per car), later [1] continue their journey to New York, Chicago, or elsewhere, upon the through rate from point of origin to final destination. On the first stage of the proceeding, the shipper pays the regular tariff from Tennessee to Indianapolis — about 50 cents per hundred. But from Indianapolis to Chicago he pays, not the local rate of about 23 cents a hundred, but the balance of the Tennessee-Chicago rate less the Indianapolis rate already paid and plus the transit charge of $5 per car. On the basis of a 20,000 pound car and a Chicago rate of 59 cents per hundred, this would amount to only 11½ cents. The storage-in-transit privilege is one which is eagerly sought by the smaller cities which are located at the convenient railway junction points. It has recently been extended to include such cities as Memphis and Chattanooga, Tennessee; Birmingham, Alabama; Tulsa, Oklahoma; Elmira, New York; and others. It would seem evident, however, that such an arrangement is not alone to the interest of the particular cities granted the privilege, but is also of advantage to the central market dealer, and is calculated to favor the most equable distribution of supplies. Whatever such treatment may contribute to the upbuilding of the produce business benefits the railroads in the form of increased tonnage.[2]

received 689 cars of the 1915 crop of Imperial Valley cantaloupes as against 27 for Milwaukee and 30 for Indianapolis. Obviously this is not a measure of the relative consuming capacity of these markets and many of the Chicago cars doubtless found their way to Milwaukee, Indianapolis, and other smaller markets.

[1] This must be before the expiration of a time limit, commonly nine months.

[2] "Stop-in-transit" rates permit the consignor of a car of goods to enjoy the through rate, but also to have the privilege of stopping his car at certain points before reaching its destination, for the purpose of unloading part of its contents. For this privilege an extra charge of five

Another concession in the matter of rates which is highly important to the development of the smaller producing points is the "concentration" rate. This provides that goods shipped from local stations to a primary market or concentration point, where they are consolidated into carlots for shipment to the central markets, shall not have to bear the full local rate to the concentration point. As in the case of storage-in-transit, the full local rate is charged for the original shipment, that is, to the concentration point. But when evidence is furnished that the goods have been reshipped from this point in carload lots, the local L.C.L. rate already paid will be reduced to the amount of the special concentration rate and the excess refunded to the shipper. In 1915 many roads withdrew this privilege and canceled their existing concentration tariffs. Shippers complained, but the Interstate Commerce Commission refused to order the continuation of these rates. However, early in 1916 several of the lines voluntarily restored the concentration arrangement with rates varying from 14 cents per hundredweight within a radius of 25 miles up to 34 cents for a 200-mile haul.

Shippers of poultry and dairy products are particularly tenacious of these special rates, which they find highly serviceable in fostering the growth of shipping centers capable of handling a volume of business large enough to justify the erection of well-equipped packing-houses and adequate pre-cooling facilities. The modern methods of handling perishables seek to eliminate waste and to secure palatable and wholesome products by installing close to the producing field the technical appliances for treating products in a thoroughly scientific manner from the start. Such establishments are expensive. A pre-cooling plant, for example, calls for an investment "usually of $10,000,

cents per hundredweight is made and the shipper must agree to unload promptly and assume the risk of deterioration of the goods remaining in the car.

although an old plant may be equipped for $4000 to $5000. The Federal authorities who have given the matter the closest study for several years, after continuous tests, have approved of a program calling for a number of small concentration points instead of a few large plants. Without favorable concentration rates a pre-cooling plant cannot be maintained. It takes a number of small shipping points to supply one central or concentration point moving car-lots. This insures the small shipper a stable near-by market where he can average good prices. The average loss and damage claims in the car-lot movement from concentration points is very small. The average claim on the less than car-lot movement, according to the railroad records, is very large. The railroads thus seem to have furnished the very evidence needed to prove the benefit of concentration rates — for the railroads as well as for the shipper." [1]

Last, but by no means least important, in the discussion of transportation facilities, comes the matter of terminals. The actual cost of handling goods will be increased quite as effectively by expensive methods of unloading at destination as by higher rates for the main haul. And time economies, so much striven for at the loading station or transfer point or in the running time of trains, may be eaten up by delays in switching cars at the terminal yards or due to congestion at the team tracks. It has already been suggested that Chicago is not well served in these regards. The movement for reform of these conditions will receive consideration in a later chapter, but some relations to the general traffic problem may well be mentioned here.

The necessity for expediting its business and of securing the release of its equipment by consignors at the earliest possible moment has led the railroad or private-car company to establish a general practice of charging "demurrage," "track storage," or both, whenever cars are held longer than the ordinary time of loading or unloading. Two

[1] *Chicago Produce News*, May 8, 1915.

days of "free time" are usually allowed before any charges are assessed, though a few state legislatures have extended this time to three, four, and in one case, ten days. Demurrage, which is really a car rental, usually amounts to one dollar per car per day,[1] but at times of car shortage or when the practice of "car peddling" becomes a nuisance, the railroads are inclined to impose heavier[2] charges, shorten the free time, and demand an additional payment for the use of its tracks. Such a "track-storage charge" runs from one dollar a day up to two, three, or even five dollars per day per car after six or eight days of delay.

Because of Chicago's importance as a transaction center for goods which are purchased by or for dealers in other markets, this matter is one of much importance in this city. Thousands of cars of goods each year are dealt in at this market without ever being unloaded here. They must be held for a longer or shorter period subject to the inspection of prospective buyers and, when sold, are reconsigned to other consuming centers. Many other car-lots which are broken up here are reassembled into "mixed-car" lots for reshipment to jobbers in smaller cities. And even for commodities consumed here, the high cost of hauling and the cramped conditions of the produce district put a premium upon doing as much business as possible direct from the car door. But such a practice, of course, tends to increase difficulties at the freight terminal.

Most of the roads entering Chicago have both an outer and an inner freight yard. The outer yard has belt-line connections with the other roads. Here incoming trains

[1] On some lines the rate is one dollar for the first day after the expiration of the free time, two dollars the second day, and so on up to a maximum of five dollars per day.

[2] During the winter of 1916–17 many roads charged one dollar for the first day after free time, two for the second, three for the third, and five dollars per day thereafter. This was modified (May 1, 1917) to two dollars per day for the first five days (after free time) and five dollars per day for each succeeding day.

are broken up, cars switched to other roads or to the downtown team tracks; here, too, cars are received from other roads, trains are made up and dispatched to the company's own lines. At these outer yards there is ordinarily ample room for the holding of cars and no track storage is charged. However these yards are miles away from the produce district, several hours are consumed in a single inspection trip, and, especially in bad weather, buyers cannot readily be induced to examine goods located there. Dealers are therefore anxious to have their cars switched to the downtown freight terminal. But here conditions are quite different: congestion is constant, every foot of unloading platform must be available as much of the time as possible, and every pressure must be exerted toward the rapid disposal of cars. Track-storage charges are inevitable. In order to keep them down to the minimum, most of the roads have provided in recent years a special "inspection track," where cars may be held without track-storage charges pending buyers' inspection and disposal of the goods, whether by reconsignment or unloading. In the latter case, the car is switched to the team track without extra charge. If the contents of the car are sold to a single purchaser or are disposed of quickly to several, track charges can be entirely avoided, though demurrage would still be assessed if the car were held for more than two days on both inspection and team tracks. If part of the contents of the car were sold early and delivery demanded at once while sale of the remainder was slow, the consignor would have track storage as well as demurrage to meet unless he had a store to which he could haul the unsold goods. But many wholesale receivers maintain office quarters only.

Many allusions have been made in the course of the preceding discussion to the services rendered by cold-storage warehouses in connection with the produce trade. Presumably every one understands the nature of these serv-

ices at least in a general way. But such curious conceptions regarding the business and the methods by which it is conducted are constantly cropping out in popular speaking and writing upon the subject of food marketing that some discussion of the matter seems to be in order here. The effect which the cold-storage system has upon prices will be examined in a later chapter, and at this point we will notice merely the part which it plays in the machinery of the produce trade.

It should be made clear at the outset that the warehouseman as such is not a produce dealer. He stores goods for dealers for a rental fee, not on his own account. The principal cold-storage concerns are organized as incorporated companies and their capital is raised from diverse sources. In particular cases produce dealers may become heavy holders of their stock. "Perhaps it is not generally known that the owners of the cold-storage warehouses do not store commodities for themselves, but, on the contrary, let cubic space in their warehouses to customers, who place therein such perishable and other commodities as they please." [1] Obviously, the owner of a cold-storage warehouse or the manager, director, or shareholder in a warehouse company might, if he wished to indulge in a little speculation, buy goods and store them on his own account. But the prime business of the warehouse is to keep its space rented as fully as possible and to render a high-grade of service to its patrons. This last is a technical undertaking of some delicacy, quite sufficient to engross the attention of the warehouseman. "If the temperature of the rooms fluctuates unduly from the degree to be maintained and the fruit is frozen to a point of injury, if it ripens with abnormal rapidity, if it is piled in certain parts of a room so that it is injured by overcooling or by heating, or if the management of the warehouse or treatment of the

[1] United States Department of Agriculture, Bureau of Statistics, Bulletin no. 101, p. 7.

fruit in other respects can be shown to have been faulty or negligent, the storage house has failed to perform its proper function. The warehouseman holds the fruit in storage as a trustee for the storer, and in that relation is bound to exercise only that degree of care and diligence in the management of the building and its contents that a man of ordinary prudence and care would exercise under the circumstances in protecting the plant and the goods if they were his private property." [1]

There are two general classes of business arising from the cold storage of produce; the first of a short time, irregular, and occasional sort; the other covering longer times and larger bulks of goods, occurring at regular seasons, and making up the main line of produce storage. In the first class falls the storage of surplus stocks of very perishable products such as melons, peaches, berries, or lettuce, which have reached the market in such quantities as to cause a temporary glut. If such goods have arrived in good condition and are transferred promptly from the refrigerator car to the cold-storage warehouse, they may be kept for some days at slight expense, and sold at a fair price as soon as the market demand has had time to catch up with the supply. Such occasions arise frequently in the summer time and may be due to causes which could not possibly be foreseen. Sudden changes in temperature cause consumers' demand to fall abruptly, or the coming of a heavy rainstorm prevents peddlers from plying their trade or keeps retailers from coming to the market in full force to buy. If such an exigency arises at the close of the week, the possibility of carrying such surplus goods over even to the next week means a large saving to both jobbers and producers.

The more permanent and important classes of cold-storage goods with which we are concerned include butter, eggs, dressed poultry, and the less perishable fruits, par-

[1] United States Department of Agriculture, *Yearbook* (1903), p. 229.

ticularly apples. These are products which have natural seasons of abundance and of scarcity. The result is that large quantities of eggs and butter are put in cold storage during the flush period of spring and early summer, and held till the low-production months of winter. Poultry, apples, and other products which flood the market in the late summer and fall are stored when at their prime, and withdrawn for consumption as needed. The United States Department of Agriculture found, in the course of a careful investigation into the business of cold storage, that 76.6 per cent of all butter stored during 1909 and 80 per cent of that stored during 1910 was put in cold storage during the months of May, June, July, and August, 31.9 per cent being stored in the single month of June.[1] Of eggs, 85.6 per cent of the total amount of storing occurred during April, May, and June, 1909, and 79.4 per cent during these three months in 1910.

There has been so much talk about the excessive length of time that food products are held in storage that it is worth while to note what the Government agents found to be the facts of the matter. Withdrawals of eggs begin the latter part of August, are heaviest in November and December, and have nearly ceased by the end of January. For the time studied (1909–10), 89.6 per cent of the eggs were withdrawn by the end of the eighth month, and the average length of the storage period was 5.91 months.[2] Butter withdrawals likewise began to increase in August and reached their maximum in November and December, but continued at a high level till well along in March. Of the storage stock 88.2 per cent was withdrawn by the end of the seventh month, and the average length of time for which butter was held in storage was 4.43 months.[3] Dressed poultry averaged only 2.42 months in storage.

For the purpose of preserving the different commodi-

[1] United States Department of Agriculture, Bureau of Statistics, Bulletin no. 93, p. 15.

[2] *Ibid.*, pp. 30, 40.

[3] *Ibid.*, pp. 34, 40.

ties the cold-storage warehouses provide several different temperatures, generally three.[1] Goods which would be damaged by freezing are simply chilled and held at as low a temperature as will be harmless to the article, while at the same time preventing decay as far as possible. Fruit and vegetables are kept at about 35° and not above 40° F. Eggs freeze at 28° F., and it is therefore aimed to keep them at about 29° to 32°. Poultry and other meats which are to be held for some time are first frozen at a temperature sometimes as low as −15° F., and then held in a frozen condition at 25° F. or thereabouts. Butter is also frequently held at the lowest temperature, but it is the accommodating guest in the warehouseman's household, and can be put in whichever room happens at the moment to be available. It is not harmed by very low temperatures, but keeps in fairly good condition even if not quite down to the freezing point.[2]

[1] Refrigeration is secured by the circulation of a cold brine through coils of pipes which line the walls of the storage-rooms. This brine is circulated slowly where moderately high temperatures are desired and at a more rapid rate in the colder rooms. The lowest temperatures are produced by the direct expansion of ammonia gas in the coils.

[2] The following schedule of cold-storage temperatures was promulgated by the Committee on Refrigeration of the National Electric Light Association: —

Fruits	33°–36° F.
Eggs	29°–32° F.
Butter	0°–38° F.
Vegetables	34°–40° F.
Poultry, game, etc., to freeze	5°–10° F.
Poultry, game, etc., frozen	25°–28° F.

(*Scientific American*, August 2, 1913.)

Some very recent work by the Food Research Laboratory of the United States Department of Agriculture seems to show that even delicate fruits and vegetables may be frozen and then held for long periods at a low temperature. Cherries and huckleberries are said to keep for a full year at 10° F., and peas, green peppers, and string beans do nearly as well. Strawberries may be kept in a frozen state until the following winter and used for baking purposes with success. Evidently goods handled in this manner would not have a general market demand. Their use would be limited to bakeries, hotels, and other places where they can be handled quickly and skillfully.

The cold-storage business of the Chicago market is under comparatively little regulation or supervision. From time to time the assertion is made that the time of storage should be regulated by law, and a rigorous sanitary supervision instituted. During several recent sessions bills have been introduced in the Congress of the United States, proposing to regulate the cold-storage business. Similar bills have been urged in many of the state legislatures and about a dozen states have passed such laws, some of which have been of a very drastic sort.[1] Illinois has thus far escaped any legislation of this nature.[2] The figures which we have already noticed show how slight an effect such a law would have upon the actual conduct of the business. But it is very much to be doubted whether even the small percentage of goods which do actually remain in storage for periods exceeding a year need to be legislated against. Careful bacteriological examination of cold-storage products have tended to discredit much of the old opinion as to the unwholesomeness of such goods. An investigator for the Government [3] says frankly: "So far as our knowledge goes now a fresh egg, held at temperatures between 29° F. and 31° F. will be an edible and wholesome egg at the end of nine months." "At the end of four months there was practically no change [in frozen cold-storage chickens]. At the end of eight months there was just enough change to be detected by laboratory methods. There was no change to be detected in the flavor of the flesh. After twelve

[1] Such as Delaware's six months' time limit and Pennsylvania's limit of from three to ten months. Others range from nine to twelve months. These laws also call for the marking of the container or consumer's package to show that the contents are cold-storage wares or the posting of a sign in the store, marked, "Cold-Storage Goods Sold Here." Two States have simply required that the purchaser must be informed when he is buying cold-storage products.

[2] In June, 1917, the Illinois Legislature passed a "Uniform Cold Storage Act," the text of which appears as Appendix D.

[3] M. E. Pennington, Chief of the Food Research Laboratory, Bureau of Chemistry, United States Department of Agriculture.

months' hard freezing the chemical changes, as measured by the laboratory, are still a little behind those of the house ice-box after 5.5 days."[1]

In view of these facts the Massachusetts Commission on the Cost of Living (1910) came to the conclusion that: —

> This proposal of a fixed time limit for holding food products in cold storage is open to objections. No arbitrary limit could be set which would apply satisfactorily to all varieties of food, because the period during which they could be kept in satisfactory condition by cold storage varies greatly. The period of six months would be too short in the case of eggs, and would prevent holding eggs over the interval between the period of abundance, which ends with the month of May, and the period of scarcity, which begins in November. A period of one year would not interfere seriously with the legitimate features of cold-storage business; but, on the other hand, it would have no appreciable effect for good. In general, the business interests of dealers who place goods in cold-storage may be depended upon to adjust the period of storage to the requirements of the consuming public. Nothing whatever is to be gained by holding goods in storage for an undue period, until the goods become spoiled. . . . So far as the health question is concerned, any menace through the holding of goods for undue periods could be met by a system of inspection.[2]

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[1] *Annals of the American Academy of Political and Social Science*, vol. 48, pp. 157–58.

Dr. P. G. Heinemann, of the University of Chicago, says: "April and May eggs, if placed in cold storage in good condition, are of better quality than so-called fresh eggs during the summer months. . . . It is probable that there are more tainted eggs sold, that have not been in cold storage, than tainted cold-storage eggs. . . . The conclusion is inevitable that cold storage at 10° to 15° F. has no deteriorating effects on the condition of meat, poultry, and fish for a period long enough to bridge over the time from one flush season to the next, that is to say, for about twelve months." (*Popular Science Monthly*, vol. 81, p. 153.) It is, however, true that frozen meat products, and particularly poultry, when taken out for consumption should receive more careful handling than is often the case. They should be thawed very slowly at a moderately low temperature, so that the water excluded from the cells in the process of freezing may be re-absorbed. As the tissues after freezing seem more susceptible to bacterial invasion, the birds should be kept both cool and clean and used as promptly as possible.

[2] *Report of Massachusetts Commission on the Cost of Living* (1910), pp. 184–85.

The Chicago City Council evidently took a similar view of the matter, for they have put upon the statute books of the city an ordinance providing for a most thorough sanitary inspection of the whole cold-storage business. This work is delegated to the city Health Department, and is supposed to include periodic inspection of all cold-storage quarters and equipment as well as examination of all goods entering or leaving the cold-storage warehouses. Unfortunately, the Council failed to make adequate financial provision for the carrying-out of this program.[1] As a result, all that the Health Department has been able to do has been to make quarterly inspections of the warehouses to ascertain whether they were being kept in a sanitary condition. It would seem that, if the force of inspectors could be sufficiently increased to permit the sanitary inspection of all goods as they are withdrawn from storage, all the real benefits of the law would be realized. The self-interest of the dealer could be relied upon to prevent inferior goods from being put into storage if it is made certain that any spoiled goods will be confiscated by the inspector who examines withdrawals.

Before leaving the subject of cold storage, we should mention the fact that the warehouseman acts also as banker for many of his patrons, by loaning them the funds with which to finance their operations. This practice has been carried to the greatest extent in the case of butter and eggs, but it is not infrequent in the case of apples and some other commodities. It often happens that the person who wishes to store goods is not the local dealer, but a shipper living at some outside point. We may suppose that he is a shipper of eggs from a small town in Missouri, Nebraska, or Iowa. Instead of selling his goods in the spring, and

[1] Dr. Young, the city Health Commissioner, said that it would take fifty men to inspect adequately all goods leaving Chicago cold-storage warehouses, whereas it is practically impossible to spare any men from the present activities of the Department. (Unpublished hearings of the Municipal Markets Commission, August 17, 1914.)

letting some one else store them until prices rise, he is willing to run that risk himself in the hope of making a profit on the transaction. But it takes a large amount of capital to store eggs in any considerable quantity — probably more than his local banker could supply. A single car of four hundred cases will amount to twenty-four hundred dollars when eggs are worth twenty cents a dozen, and the money must be tied up for six months or longer. Here the cold-storage company comes to his aid. They are in a position to borrow in large amounts owing to their strong financial standing, backed up by the security furnished by their plant and its contents. Both out-of-town dealers and local jobbers who desire to store goods avail themselves of this convenient means of borrowing upon the security of the goods stored. The amount advanced may run up as high as ninety per cent of the value of the wares at the time of entering storage, since it is expected that prices will advance, causing the margin of security to improve as time goes on. In case the price breaks and the stored goods have to be sold at a loss, the warehouseman may not be able to collect the difference between what he advanced (plus his charges) and what the goods sold for, owing to the fact that the dealer may have been bankrupted by such loss. In that case, they sometimes enter into a new agreement for the next season, in the hope of thus recouping their losses.

CHAPTER VI

THE RETAIL MARKET

THERE is a very complete separation between the wholesale and the retail produce business in Chicago. The great market centers which we have previously discussed are practically closed to the consumer. Occasionally, a thrifty householder ventures into South Water Street to buy a case of berries or a bushel of peaches for preserving purposes or to get a barrel of apples in the fall, if he is so lucky as to have a cellar where he can keep them. But the only buyers, not themselves dealers, who regularly frequent "the Street" are the purchasing agents of hotels, restaurants, and clubs.

Even the producers' markets on Randolph Street and at Seventy-first and State Streets or elsewhere do not cater to retail trade. They sell mainly to retailers, and, unless the consumer is in a position to purchase in rather large quantities, he will find scant opportunity of buying in these markets. Such a farmers' market as that which fills the public square at Indianapolis [1] three days a week is unknown here, and several attempts to foster such an institution have met with prompt and unmistakable disaster.

A dozen years ago a large market-house was erected on an abandoned baseball park in the heart of a thickly settled residence district on the West Side (Polk and Loomis Streets). This building was fitted up with several hundred stalls for the accommodation of small dealers in

[1] Indianapolis has also a covered market which occupied Tomlinson Hall on the north side of the square. Of course there are many other cities which have similar farmers' markets — Buffalo, Detroit, Cleveland, Cincinnati, Memphis, St. Paul, Madison, Des Moines, and others.

fruit and vegetables, poultry and dairy products, meat, and fish. One entire section was given over to sellers of kitchenware and notions. This place never succeeded in filling more than half its booths; trade was slow; and the whole venture collapsed in less than a year. Later, when the high cost of living was first becoming a burning issue in the public mind, one Jim O'Leary, saloon-keeper and book-maker of the Stockyards district, came forward with a project for reducing food costs to the poor people of that neighborhood. His plan was to open a market on Halsted Street to which he invited small dealers and particularly producers to come and sell at retail under small expense and at low prices. Producers, however, failed to put in an appearance; the expected benefits did not materialize, and "O'Leary's Market" soon passed into history. Lastly, when the Enropean war sent prices soaring and immediate relief was sought on every hand, a city market commission then in existence brought about the opening of an outdoor public market in an abandoned school yard on the West Side and also persuaded the City Council to authorize the erection of a small retail market-house at South Chicago. The outdoor market was a flimsy farce from the start and it endured only for a month or two.[1] The market-house at South Chicago has stood vacant ever since its completion in the summer of 1915 — an expensive monument to the economic insight of its builders.[2]

To be sure there is one public retail market in Chicago — that on Maxwell Street running three blocks east from Halsted, in the heart of the Ghetto. This is a municipal market, and is supervised by a market-master under the jurisdiction of the city auditor's office. Along the curb on

[1] See pp. 166, 167.

[2] See pp. 185, 186. The whole episode of the Municipal Markets Commission, of which this was the final incident, is discussed at length in chapter VIII. After this book was sent to press, this market-house was at last opened — August 4, 1917.

both sides of this street push-carts or permanent stands may be stationed under direction of the market-master, who collects a fee of ten cents per day for this use of the city's thoroughfare.[1] The dealers of the Maxwell Street market procure their small stocks (generally of rather inferior quality) from the Randolph-Street or the down-town market, or from wagon jobbers, and resell them in small quantities with much higgling to the denizens of this slum district.[2]

Since public markets fill so small a rôle in Chicago, the great part of the retailing of produce falls into the hands of regular storekeepers and of peddlers. Both store and peddler businesses are, in turn, to be divided into several classes. Of the former, there are department stores which operate a food section; specialty shops which handle only one or two lines of perishables, such as butter and eggs, in connection with some other line (say tea and coffee); "ice-cream parlors" which feature certain fruits; delicatessen shops; grocery stores and butcher shops; specialized greengrocers or fruit and vegetable stores.

Of the first of these groups the number is limited and their field of business rather strictly circumscribed. Five of the big downtown department stores (the low-price group) maintain grocery departments and, in this connection, they find opportunity to engage in a certain amount of produce business.[3] For the handling of poul-

[1] It is his duty to see that the center of the street is left clear for the passage of vehicles. Those who frequent the market every day have regular places assigned to them, and these are, of course, the more favorable locations. Those who come occasionally have temporary positions assigned to them in the order of their appearance. There are about 225 peddlers on this market on Sunday; 150 or less on other days. As soon as the fee is paid a tag stamped with the date is pasted on the peddler's cart or stand.

[2] Vegetables, fruits, poultry, eggs, and fish are the principal articles dealt in, but, at the east end, the market runs off into second-hand clothing, old carpets, and household goods.

[3] Also several stores of the cheaper sort which carry about the same range of goods, located on Milwaukee Avenue, Halsted Street, Blue

try, butter, cheese, citrus fruits, apples, potatoes, and other vegetables of staple demand and not too perishable a character, these stores are well situated. They can buy large quantities and sell on a narrow margin such goods as have a steady and dependable sale. They are frequently in a position to snap up some special bargain in the wholesale market and then feature it as a "leader" in connection with their grocery business of the week which follows. Such an article may be sold at cost or even at less than cost under the restriction that only one order will be sold to a person and not unless accompanied by a grocery order of stated amount. In general, the department store does not aim to provide the consumer with his whole supply of produce, but to sell certain staples at a saving and to feature frequent special bargains. It does not appear that this type of business will grow.

The butter and egg store or the tea and coffee store, which devotes particular attention to its butter and egg business, presents an interesting case of specialization. Such a store is often able to buy these goods in quantities larger than those handled by the retail grocer and, therefore, make its purchases upon favorable terms. This is particularly true of the store which belongs to a chain of such specialty shops.[1] Likewise, these stores commonly sell for cash only, they do little if any delivering of goods, eliminate telephones and trading stamps, and so can operate at a low cost and frequently undersell the regular grocer. Apparently, too, the same keen discernment which enables the experienced coffee-man to identify sev-

Island Avenue, etc. They sell a good deal of produce, much of it of inferior quality, at bottom prices.

[1] The Atlantic & Pacific Tea Company operate nearly three hundred retail shops in Chicago. Nearly all of these have been established within the last three years. Of produce commodities they handle only butter, eggs, potatoes, and some eating apples in season. The All-Package stores are similar in character. Forty-five such stores were established in Chicago between June, 1916, and April 30, 1917. In November, 1917, this company was forced into a receivership.

eral grades of coffee in the same drum, to find for these esoteric grades distinctive and pleasing names, and to secure for them prices which rise from twenty cents to forty cents a pound, enables him also to discover in a case of eggs or tub of butter certain hidden virtues which can be given a pretty name and sold at a pretty price. In fairness, however, it should be added that, if such a retailer be a real expert and also a shrewd buyer, he will often be able to pick up rather miscellaneous lots of good average quality, candle the eggs and sort them according to size and color, or repack the butter in pound prints in such a way as to recognize honest differences in quality, give the economical housewife a low price, the more fastidious buyer a fancy quality, to each his money's worth, and to himself a fair profit.

The fruit store or ice-cream parlor deals primarily in fancy goods in small lots. Besides a regular stock of bananas, oranges, and fancy apples, many of these stores carry winter strawberries, fancy grapes, early peaches, apricots, and perhaps the rarer fruits like avacadoes and pomegranates. Most of the proprietors are Greeks or Italians and are thus in a position to buy at the best advantage from their fellow-countrymen who are jobbers downtown. This does not mean, however, that these retailers sell at low prices. While they work long hours and employ their women and boys to reduce labor expense, they seek the relatively expensive corner-store locations and rely on fancy quality and high prices, rather than large sales on small margins, for the making of profits. Their rapid rise in fortune seems to testify both to substantial returns from the business and to their ability to save.

The delicatessen shop falls into practically the same class. It does not aim to carry all the lines of goods which housewives buy for family use, but rather to carry those ready-to-eat products which are in demand among apartment-house dwellers and those who do "light housekeep-

ing." The butter which they handle is generally bought from a creamery company, already packed in pound and half-pound cartons; their eggs often come to them in dozen or half-dozen trademarked containers; they tend toward box apples and big peaches separately wrapped and packed in small baskets. In other words, they are not close buyers. Many of them do not even go to the wholesale market to make their purchases, but deal through "truck jobbers." The small quantities in which their goods are sold requires much time in serving customers and much paper and string in wrapping parcels. On the other hand, there is ordinarily no delivery charge, little if any credit loss, and the extra labor of rush hours is usually supplied gratis by some member of the family. Prices are likely to be of the highest, but the volume of sales is comparatively small and efficiency of operation not great enough to make profits large.

But the great bulk of produce commodities are sold at retail by small grocery stores and butcher shops, of which Chicago has about twelve thousand.[1] In recent years there has been a strong tendency for stores of this class to take on a dual character, selling both groceries and meats. Further, with the growth of the great baking companies which do their own distributing to retailers in swift-moving motor trucks, the selling of bakery goods has also been added, so that the so-called grocery becomes in fact a general food store with the ambition of furnishing to its patrons whatever is needed for their tables — shelf groceries, green groceries, bakery goods, meat, and fish.[2] This desire to have on hand whatever the housewife may call for has had an important influence on the development of the retail method of handling perishables, leading in many cases to an over-stocking with

[1] Delicatessen shops are estimated at more than a thousand in number.

[2] The practice common in many coast cities of having separate stores for the sale of sea-foods is practically unknown in Chicago.

such goods and a resulting heavy loss due to wilting and decay. If the store is of small size (and at least seventy-five per cent of the total twelve thousand are small establishments), this feeling of necessity to have on hand whatever is in the market has become a serious burden and has caused a constant leaking away of profits.[1] Likewise, the retail dealers have felt themselves forced by competition into the rendering of extensive and costly forms of service to their patrons. This high operating cost, together with the losses mentioned above, impose heavy expenses upon the retailer and necessitate a very considerable marking-up of the prices of goods which pass through his hands. This price phase of the matter will be discussed in the following chapter.

The last class of retail dealers who handle produce might be designated by the old and familiar English term "greengrocer," though in Chicago such establishments are most likely to be known as "fruit and vegetable stores." Such places are not very numerous as yet, but appear to be increasing in number at the present time. Their chief interest for us consists in the possibility that they may be destined to supersede the ordinary grocery store and butcher shop as sellers of produce. They are not at all analogous to the fruit store of the ice-cream parlor affiliation, already discussed, but enter precisely and fully into competition with the grocer's fruit and vegetable business. They aim to carry full stocks of both staple and fancy vegetables and fruits for supplying the needs of housewives and also the more casual trade of the "fruit

[1] Such dealers have said to the writer: "I'd throw the whole business out to-morrow if I could. It is a constant nuisance and I am lucky if I come out even on it, so much goes to the garbage can. But if I did n't have this stuff, my customers would go to a store that did." This applies particularly to the store which is small and yet aspires to be high-grade and complete. Smaller shops carry a smaller line and the family can eat all the wilted vegetables and specked fruit. Many of the larger stores profess to do as well on their produce lines of goods as on other stock.

store" type. Presumably this specialization should enable them to purchase at better advantage and to avoid the wastage which constantly besets the small grocer's stock of perishables. If these savings (and others due to the elimination of delivery costs and credit losses) are translated into lower prices, it would seem that these stores might to a considerable extent supplant the small grocer in this line of business. No measurable effect in this direction has yet become noticeable, however, though inevitably the establishing of such stores must still further reduce the volume of grocery-store sales and multiply the unpredictable elements which affect public demand for the grocer's wares.[1] But such dealers are, in general, poorly informed as to the sources of profit and loss in their business and extremely timid about throwing over this department even if they believe it to be a losing venture, lest they thereby eliminate buyers of shelf groceries and meats. Nothing but concerted action could effect their emancipation and pave the way for specialized efficiency in the form of retail produce stores.[2]

Before leaving this question of retail stores something should be said concerning their relations with the wholesale trade and the retailer's contact with sources of supply. This contact is direct with producers in only a limited number of cases. Three types may be cited. First, the small storekeeper who has relatives or friends living in the country may receive butter, eggs, and poultry, or perhaps fruit or vegetables in season, from this private source of supply. As the connection is of a personal sort,

[1] The regular retailer frequently has left on his hands goods which he had put in stock judiciously enough, but the demand for which has been unexpectedly eliminated as a result of the activities of special peddlers. The featuring of particular goods by the fruit and vegetable store would naturally have much the same effect.

[2] The writer does not wish to be understood at this point as condemning the grocer's methods or as drawing invidious distinctions between different systems of retailing. It is his purpose merely to appraise the chances which the newer type of store has of establishing itself.

results are likely to prove very satisfactory, provided the farmer will take the trouble to pack his wares in a manner demanded by the retailer's trade or necessitated by the exigencies of express shipment, and provided also that the distance is not too great. Second, a few farmers and truck-growers on the outskirts of the city establish a line of store patrons. Each morning, or perhaps each second or third day, during the season they drive around with their load of produce from store to store until it has been disposed of. Third, some of the larger shops are in a position to buy a few staple products in carload lots from growers or country shippers. Where chain stores exist, apples, cabbage, onions, potatoes, citrus fruits, and occasionally other products are bought in this manner, but the absence of extensive chain systems in Chicago greatly limits this method of purchase here. Still, even a single store of fair size may handle potatoes and apples in carlots provided they have tolerably good storage facilities.

The total of all goods purchased by these direct methods, however, makes but a small percentage of the whole retail trade of Chicago. The great bulk of the business passes through the hands of the jobbers of the South Water, Randolph, Fulton, or outlying markets. It has already been explained that these smaller, decentralized jobbing points have come into existence because of the great distances which lie between the downtown market and the thousands of scattered retail shops. But even so, these outlying markets handle a volume of business which is small as compared with that handled through the great central district. There are, of course, a large number of retail stores which are located near enough to these downtown markets so that the proprietor can come to the market in his own conveyance, make his purchases, and haul them back to his store. The increasing use of motor delivery wagons has enlarged the radius of such

relations and strengthened the hold of the central market upon the retailers' patronage.

But, as his distance from this market increases from four or five to eight, ten, or even twelve miles,[1] such a trip every day or second day becomes impossible if the merchant is to give a proper amount of time and attention to the running of his store. And, besides the long haul, the increasing congestion of traffic at the market has tended to force a modification of the old methods. To facilitate matters for the retailer some of the downtown jobbers undertook to make delivery of goods purchased from them. Where such a system of delivery has been established, the grocer or butcher, instead of driving downtown and back again at the expenditure of perhaps four hours' time, goes to market and back on the street car. His purchases are promptly delivered by the seller to the buyer's store, generally by motor truck. Such a motor truck, hauling a large, composite load to many stores in the same vicinity, cuts down the cost of cartage and likewise effects a saving of the retailer's time.

There are also many expressmen and teaming companies who specialize in such deliveries. With the advent of the motor truck, this business has been enabled to cover a wider area, and has flourished accordingly. Likewise, it has taken on a somewhat different character in that the person who undertakes this delivery function may so expand his operations as to become a dealer on his own account. Such a metamorphosis may be traced through several stages. First, we have the storekeeper buying his own goods on the market every day and turning them over to the driver of an express wagon or truck for delivery at his place of business. But the merchant finds this daily trip to market too great a burden even though he does not take his own delivery wagon down and back.

[1] This applies particularly to the North Shore suburbs which, though politically outside the limits of Chicago, are yet within its trading area.

Accordingly he begins ordering supplies from his jobber by telephone, the goods being delivered by truck or wagon as before.[1] In this case the retailer will probably go down to the produce market once or twice a week in order to see what is in the market and to maintain his personal touch with the jobber. As goods are bought they are charged to his account and settlement made weekly or at other times mutually agreed upon.

But here the deliveryman sees further opportunities to serve the retailer. He acquires a broad and intimate knowledge of market conditions and becomes, very likely, a better judge of qualities and values than is the storekeeper himself. Thus he is in a position to save the retailer even the weekly or half-weekly visit to the wholesale district. He goes through the market early each morning and informs himself as to stocks and prices. Then he calls up his patrons, the retail store keepers, asking their needs, suggesting good things he has seen, booking their orders. After he has loaded his truck with these ordered goods, he may decide, upon his own responsibility, to add a few cases of especially attractive berries or some crates of vegetables which are offered to him at a bargain. These he buys for cash or on his own credit, expecting to sell them at a profit. Furthermore, he is likely to come, in time, to do more and more of his business upon this same basis. When the personal tie between retailer and jobber has been broken the further extension of credit becomes less easy. The tendency is for the South Water Street merchant, in sending out goods upon such orders, to require the truck driver to collect upon delivery or to assume the responsibility of payment for the goods. Thus the delivery agent slips over readily into a position where he buys

[1] In few if any cases does the produce merchant own the wagons or motor cars which handle this delivery work. Even those which bear his name are the property of teaming or motor companies who supply this service on a contract basis.

goods upon his own account and sells them outright to retailers at a price which will give him remuneration for his delivery service and yield a little profit upon his enterprise. He becomes a full-fledged "truck jobber." [1]

Passing now from the various classes of retail stores which we have been discussing, we note that the other principal outlet of trade from the wholesale market to the consumer is furnished by peddlers. They are of three grades: the wagon huckster, the pushcart peddler, and the "basket man," each named according to his transportation system. The huckster with a wagon aspires to establish himself as a regular merchant, — albeit of an itinerant sort. He seeks to build up a regular trade, and claims a vested interest in certain alleys along which he makes regular trips. The common practice is to spend one day in purchasing and making up his load of fruit and vegetables [2] and the following day disposing of it. When trade is slack or the weather bad, he makes his rounds less frequently, but during rush periods he goes to the market daily, secures his stock between daybreak and breakfast time and then hastens away to the residence district.

The pushcart peddler deals largely in fruit, bananas being the most important article. A few of these peddlers have a settled beat and cover the same streets or alleys every day or at regular intervals. Others wander wherever trade seems to offer. The pushcart business has not flourished in Chicago as it has in some other cities, notably New York. There is here but a single pushcart market —

[1] For a discussion of the bearing of these facts upon the question of prices, see p. 177. The "butter wagon" and "egg wagon" are also to be classed as jobbers rather than peddlers, since they sell to small stores, restaurants, and bakeries and not to private consumers. The business of the wagon jobber of butter has been curtailed by the growth of the great creamery companies and much of this class of egg jobbing appears to have passed over to other agencies. Retailing from wagons or "wagon peddling" is discussed in the following pages.

[2] Sometimes the peddler also carries eggs and, occasionally, other articles.

the Maxwell Street market already referred to. Some of the peddlers who make up the extra numbers in this market on Sunday and other busy days ply their trade over widely scattered fields of enterprise on other days.

Basket peddlers occupy the humblest rank in the organization of petty trade. While their whole stock represents a value of but five or ten dollars, they are close buyers and shrewd sellers; they work hard and save patiently and soon acquire sufficient funds to enlarge the scope of their business. Indeed, the same may be said of pushcart and wagon peddlers. Practically all of them are foreigners possessed of considerable thrift and a large measure of ability at petty bargaining. Their profits are often handsome according to their standards, and an ambition to get on in the world is almost universal. The pushcart and basket peddler hoard their profits in order that they may capitalize their enterprise on a broader basis and expand their plant to the dimensions of a one-horse wagon. But ambition does not stop here, for many a wagon peddler has graduated into the commission or jobbing business.

Taken together, these several classes of peddlers make up quite an army,[1] and their influence in the retail market is by no means inconsiderable. Their operating expenses are low;[2] they are careful, and many of them expert, buyers; and the small capital necessary to enter the business makes competition keen and keeps prices closely in line with wholesale figures. The peddler is a hard bargainer, however, and takes full advantage of the local price situation of any locality in which he happens to be dealing. Regardless of what his costs are, he does not

[1] Seventy-nine hundred and fourteen peddlers' licenses were taken out in 1915. Probably not over one third this total are in effect at any one time.

[2] The wagon peddlers pay a license of $12.50 quarterly to the city, the pushcarts, $6.25 quarterly, and the basket men, $10 a year, payable monthly.

intend to undersell the grocer by a cent more than is necessary to dispose of his goods, and is not above appealing to the sympathy or friendship of his patron as a means of getting his price. But, being face to face with his customer, he can make his price policy so flexible as to assure his finding out the highest price which the buyer can be induced to pay and also the largest amount of goods which she can be induced to buy. The peddler system enables the housewife to inspect her purchases in advance — an opportunity which she does not have when she orders supplies from the grocer by telephone. This display of the wares also makes an appeal to the eye which may lead to the purchase of things which would not have been thought of if they had not been seen. And the vendor's loving praise of his "nice-a grepfruit," "nice-a tomat," has no little effect in stimulating demand.

In general it may be said that the ability of peddlers to find or create additional demand causes them to become a highly important factor in the marketing of perishable products. It is quite essential that there be a group of traders who are ready to "take up the slack" when the permanent and better-priced parts of the market are relatively over-supplied. When trade grows lethargic and a glut is imminent, then it is that the humble peddler becomes the hero of the day as the bringer of reinforcements — of reserve demand. Regular peddlers stock their wagons or baskets more heavily upon such occasions with goods which they can purchase at a lowered price and offer to their trade at a reduced rate. But the presence in the market of a supply of over-ripe fruit or the piling-up of stocks of perishables at the week end or before a holiday calls out a whole flock of extra peddlers eager to hawk these wares about if a profit appears to be obtainable. They represent largely a cheap class of demand, and, expecting to sell at a low price, they must buy at the very bottom figure. But even this saves the pro-

ducer or jobber the loss of goods which would otherwise be unmarketable, and brings fruit and vegetables at low prices to people who would otherwise go without or buy much less at the higher prices obtaining in regular channels.

In conclusion, we should mention the fact that a limited amount of house-to-house retailing is done by nearby producers of eggs and a few other commodities. Likewise several of the great dairy companies have found it profitable to have butter and eggs carried on their delivery wagons or distributed by their drivers in response to orders previously secured. In all these cases the product is of a fancy, or at least of a rather superior, grade, and such competition as it offers to the retail store is more likely to be on the basis of quality than of price.[1]

[1] Some of the large meat packers also have invaded what the produce merchant has considered to be his province. It is natural enough that they should supply the retailer with oleo and butterine, but there has been at least a suspicion that their activities in connection with the storing and handling of butter were being shaped toward the securing of a dominant position in that line. Likewise it was quite natural that they should undertake to sell the retail butcher poultry as well as meat, but the handling of eggs on a large scale has been resented in some quarters. How extensive this egg business of the packers may be it is impossible to say, since certain firms operating under their own names are accused of being owned or controlled by the "meat trust," though they and the alleged principal may both deny it. Swift's "Brookfield Butter" and "Brookfield Eggs" are now famous, as are also several other packers' brands.

CHAPTER VII

THE EFFECT OF THE MARKET SYSTEM UPON PRICES

It has been the aim of the preceding chapters to give as clear a description as possible of the somewhat complicated mechanism of the Chicago produce market and an exposition of the manner in which it operates. But our vital interest centers, not in the structure of the machine nor in the way its wheels revolve, but in the quality of the work which it turns out. The significant problem is: How well does this market mechanism perform its appointed task? And the test of its efficiency is to be found in the prices which it brings to pass.

To volunteer an explanation or theory of prices for the produce market would be bringing coals to Newcastle. For every one appears already to have a satisfying theory as to how the prices of his eggs and cantaloupes, of his butter and potatoes, are made. These many individual opinions, however, fall under a few general heads. The consumer angrily shakes his fist and says, "price-fixing, speculation, arbitrary control of the market"; the marketing commission sadly shakes its head and says, "a costly and wasteful system — price accumulation"; the dealer fatalistically shrugs his shoulders and says, "supply and demand — you can't get away from that."

If forced to choose among the three formulas suggested above, the economist would doubtless take the last, but would insist upon getting a certain content into the terms "supply" and "demand." In doing this, he would so broaden their meaning as to draw within their scope both

the resentful consumer's and the regretful investigator's explanations of the price-making process. For even a "fixed" price is a supply-and-demand price, and an "accumulated" price not less so. At the same time he refuses to allow the system to be given a certificate of efficiency simply on the ground that it turns out supply-and-demand prices. It is worth while, therefore, to analyze these various explanations and the points of view which they represent. By criticism of them and by a synthesis of the truth we find in them, in the light of what we have learned concerning the structure and operation of our market, we may hope to get a more adequate account of the evolution of prices. This study will naturally begin with an examination of actual costs of selling as we find them here, and will seek to inquire what truth there is in the charge so often made that prices here are enhanced by reason of the excessive cost of handling the business. The next chapter will carry the problem into a broader realm by pointing out the bearing of these facts upon the whole economic adjustment of which it is a part and seeking to appraise the total influence of our market mechanism in bringing certain supply-and-demand situations to pass.

It has been said[1] that "the solving of Chicago's market problem involves the elimination of costly, wasteful, cumbersome, and antiquated methods." Now, to say that methods are "antiquated" is quite true in one sense and very far from true in others. The same old location, the same old buildings, the same old clutter of boxes and barrels on the sidewalk, the same old congestion of teams in the street — all these features indicate that the method of doing business in the wholesale district is just about what it was thirty years ago, as has been asserted. A previous chapter has sketched the burden of expense

[1] *Preliminary Report of the Chicago Municipal Markets Commission*, p. 11.

which is due to a poor location, involving as it does high rents [1] and costly hauling, inadequate equipment for handling goods, and a slow and therefore costly method of selling them. This expense and the waste due to extra hauling and inferior housing make up a large item in the course of a year. Suppose we say for the sake of argument that the preventable waste amounts to one per cent of the total value of goods handled. This would amount to $3,000,000 annually. Assuming, further, that perhaps one third of the estimated teaming bill might be saved, we have another $2,500,000. If to these items we add $1,500,000 to cover demurrage and track-storage charges, time lost in going to distant freight yards to inspect

[1] Some economic theorists might take exception to even this veiled allusion to rent as a price-determining factor in costs. To such conscientious objectors it may be answered that here — as perhaps elsewhere — there is such a thing as cutting the orthodox argument a shade too fine. For, even admitting the validity of the doctrine in general that rent is price-determined, we must still recognize the fact that South Water Street rents do not accurately measure the productive power of the land as a site for the wholesale produce business, but rather its putative productivity for department-store, hotel, bank, theater, or office-building purposes. It was not because the prices of produce were rising that rents on this street went up, nor because higher buildings were being erected. Neither did that advance in rents keep step merely with the growth of business efficiency and the consequent profits. But, such increases having been forced upon the tenant by the growth in rent-paying power of adjacent land, he was obliged, if he would stay in business and maintain his trade profit, to seek a means of passing on the burden. Buying in a competitive market, he had little chance of shifting this load to the producer or shipper. But, so long as South Water Street has been the one gateway to a large consuming public it has indubitably maintained something of a monopoly power of exploiting consumers of the goods which it purveys. Since these goods are used to satisfy a rather inelastic class of wants, buyers can resist such shifting of the burden to their shoulders only in case they can find a cheaper means of supplying these needs. But for this they have thus far sought in vain. An important reason for this failure is to be found in the fact that South Water Street is not a mere congeries of individual traders, but an organized market — "one and inseparable."

The writer should perhaps add in self-defense that this argument disclaims any kinship to the popular notion that the high cost of living has been caused by the increase in the rents of farm land.

goods, and other costs due to the lack of a thoroughly efficient terminal and store equipment, we shall have a total of $7,000,000. Now, if it be true that such a sum or any large part of it is consumed needlessly in the wholesale marketing of Chicago's produce commodities, it constitutes a pressing demand for prompt correction of the situation.

However, we must not hastily assume that this sum (whatever it might prove to be) is added as a load upon the prices which the consumer must pay. The boundaries of price distribution — as between producer, trader, and consumer — are not fixed and immutable any more than are those marking off the distributive shares of income into rent, interest, wages, and profits. The character and limits of competition must be taken into account. Undoubtedly some part of the expense burden is charged back upon the producer in the form of a larger commission or of harder bargains for purchased goods at times when and at places where competition among buyers is least keen. Doubtless, too, some of it has been passed on to the consumer in the form of enhanced prices. This method of recouping himself is available to the dealer, in a market where costs of doing business are high, only up to the point at which high prices check consumption or cause the public to devise some other means of supplying their wants.

But experience indicates that even considerable advances in the cost of foodstuffs take place without driving consumers into coöperative buying organizations or other schemes for circumventing the wholesale market and its charges. So long as no cheaper avenue of approach has been opened, the toll levied by the crudeness of our equipment has had to be borne. However, the mere fact of ability to raise prices by the enforcement of their charges does not prove, as some people have seemed to feel, that there exists *ipso facto* some sinister alliance

of the men of the market, acting together to prey upon other classes. We should clearly distinguish between such natural monopoly as exists in the Chicago market as a whole, due to its mere position in the trade, and the quite distinct possibility of some artificial monopoly of organization. Sheer inability to introduce more effective elements of competition[1] among themselves has prevented the disruption of the unanimous "bull" influence on prices. All the produce merchants have been in the same boat, and, paradoxically enough, the attempt of any one to get out would have been mere suicide. By emigrating to a street of lower rents and cheaper transportation he would inevitably cut himself off from that contact with buyers by which alone he could carry on his business. Therefore, all must go or all must stay, and as long as they stay their mutual sharing of the monopolized disadvantages of their situation preclude the passage of goods without the payment of this tax. What prospect there is of throwing down this barrier to the cheaper handling of our food supplies will be discussed in a later chapter.[2]

It should be mentioned in this connection, also, that some portion of the burden is borne by the merchants themselves, since the lively competition for business leads one or another to offer special services or charge lower rates, for the sake of attracting more trade, even though this practice pares away profits below the normal return. In talking of artificial enhancement of prices, this keen competition which is characteristic of the produce busi-

[1] Such as a cheaper location or more efficient mechanical equipment for handling goods. Compare footnote 1 on the following page.

[2] One difficulty in the way of such improvement has been the large initial outlay necessary for the establishment of a thoroughly modern terminal market. Another has been the inability to secure the allegiance and coöperation of rival groups having different ideas as to the proper solution of the problem. The size of the city and its strength as a financial center should facilitate the financing of even the most expensive equipment as soon as the necessary *esprit de corps* can be developed among the traders themselves. See chapter x.

ness must not be lost sight of.[1] If, now, the project for "moving South Water Street" shall materialize and the wholesale dealers shall be reëstablished at some more favorable location and reëquipped in such a manner as to enable them to handle produce more cheaply and efficiently, we may expect to see whatever savings are thereby effected going first into the pockets of the dealers themselves, but shortly, as a result of the individual competition indicated above, they would be, in part at least, passed back to the producers in the form of higher buying prices or forward to the consumers in the form of lower selling prices. It would be impossible to say in advance what share of these benefits would go to each of the parties, and it is perhaps unnecessary to make the attempt. Whatever gain it brought to producers would offer new incentive to the growth of our agricultural industry — to the consumer's ultimate advantage. Whatever lowering of food prices might result would be a good which needs no expositor. And finally, the effect upon the dealers themselves would be desirable. First would come the profit due to the introduction of technical improvements into the conduct of their business. As these gains were in time whittled away by the continued process of competition, there would be introduced new stimulus to further improvement and a truly progressive spirit within the trade.

[1] Lest the reader be bothered by a seeming inconsistency between this statement and the point in the argument referred to in footnote 1 on the preceding page, the writer would call attention to the difference between competition among individuals upon any given plane and the contest between those upon different planes of endeavor. For example, the hand-worker, the master-craftsman with a small shop equipment of machines, and the fully organized factory with minute division of labor and a full quota of the most powerful and intricate machinery are, even though employed to turn out the same article, competing upon distinctly different planes. Prices can be held up to the level ordained by the efficiency of the marginal worker under any type of organization of the productive process, but the introduction of a new instrument of efficiency establishes a new level of prices based upon this new level of efficiency.

What has been said refers particularly to the wholesale district of South Water Street. However, if we look to the other parts of the market, we find conditions much the same. The principal jobbing centers — Randolph and Fulton markets, Sixty-third Street, and Kensington — have not been located with reference to transportation facilities or capitalized with terminal equipment in such a manner as to secure for them a standard of technical efficiency definitely superior to that of the downtown market. Some of them possess certain transportation advantages and all enjoy lower rents and less congestion of street traffic; but they are remote by various degrees from the auction market, less closely in touch with adequate banking facilities, and away from the busy center at which the big business converges. In the case of producers' markets, the growth of the city has naturally tended to increase their distance from the grower's truck-patch or farm and to increase the cost of selling there. Decentralization of these markets (for example, by the growth of small centers like that at Seventy-first and State Streets) and the increased use of auto trucks relieves the burden of marketing costs to a certain extent, but, on the whole, the barriers to such traffic are too great and the percentage of Chicago's food supply which is handled by way of the producer's market is constantly decreasing.

As for the retail business, actual marketing costs are high and such savings as can be effected in certain directions appear to be counteracted by new burdens elsewhere. Reference has already been made to the economies in hauling which have been introduced by the truck jobber with his motor car. But such savings hardly do more than check the growth of the cost of hauling which is due to the greater distances which have to be covered as the city grows and spreads out. Likewise, any saving which the retailer has brought about through motor delivery to his own patrons has apparently been at least offset by

the decline in the habit of going to market and the more frequent deliveries called for when goods can be ordered by telephone. There has not been any considerable consolidation of small stores or growth in the size of the average unit, which would make possible a really superior equipment for handling goods or protecting them against deterioration or bringing about other economies in location or operation.

Turning from this rather dreary account of the technical facilities of the produce market for carrying on its business efficiently, what shall we say of its commercial organization? The writer has already described in previous chapters the growth, specialization, and integration of the wholesale marketing organization along lines of efficiency. To this the skeptic might reply that, while all that structure of field men and office men, local buyers and traveling salesmen, elaborate information service, extensive advertising, and all the costly paraphernalia of modern business organization may be the means of achieving efficiency so far as the given firm or corporation is concerned, yet it simply causes two middlemen to grow where one grew before and multiplies the burden of expense. As has previously been explained, however, this movement has already passed, in some of its parts at least, through that first stage — marked by the wastes of competition — into a second stage of consolidation for the purpose of avoiding the duplication of expense and effort.[1]

It should, nevertheless, be kept in mind in this connection that the growth of larger organizations in the produce business has not brought about a proportionate

[1] This movement has come from both producers' and distributors' camps, but in neither case has it gone to the ultimate extreme — monopoly. The Government has also taken some steps toward reducing market information to a comprehensive, impartial, and economical basis, but, likewise, has not gone to its logical conclusion — Government regulation. These unsavory possibilities of the movement toward efficiency will receive further treatment in chapter x.

increase in the size of the operating unit in Chicago. It has not given us enormous local concerns standing out in the business as Marshall Field and Sears-Roebuck do in their respective spheres, and financially capable of building for themselves the plant which would give them the maximum of technical efficiency. The point is, of course, that the big produce business grows by enlarging its contacts with many producing and many consuming points, and its life and growth are based upon constant and personal direction by men intimately and somewhat permanently connected with these diverse local situations. It does not admit of being reduced to a routine, which can then be multiplied into a great establishment, but must remain a network of small and personal places of business. Apparently there are fairly definite limits, under present conditions, to the advantages to be gained by increasing the scale of operations beyond a certain point. It is extremely doubtful that Chicago dealers will ever be in a position to furnish themselves with a really adequate equipment. They must look to the railways, the cold-storage companies, special terminal corporations, or to the city government.[1]

Turning to the organization of the retail trade the story runs somewhat differently. There has been practically no advance made in the commercial organization of the retail store, and the peddler peddles after the manner of all time. A previous chapter has shown how small a hold department-store methods are able to take upon the business of retailing produce. The chain grocery store, which has flourished in other cities, is practically unknown here; and coöperative buying by retailers [2] or consumers' cooperative stores has made scarcely any headway in this locality. The neighborhood grocer and butcher, fruiterer,

[1] See pp. 217 ff., 248.

[2] See E. M. Patterson, "Coöperation among Grocers in Philadelphia," *American Economic Review*, vol. v, p. 279.

and delicatessen keeper carry on the retail business after the small-shop methods of the past and take a large slice of the price which the consumer pays for his goods. How large it is and how necessary or unnecessary it is to be adjudged will be examined presently in connection with the figures showing marketing costs.

To secure figures which will show at all adequately the price situation in the several parts of the market system is a difficult matter. The best we can do is to present some general figures and then select certain other particular ones which are typical in character.

That the market does lack something of efficiency and economy would seem to be indicated by the advance which has been taking place in the general level of commission rates. The fruit and vegetable trade used to be handled on a five per cent basis. Then seven per cent became the normal rate, and it is now becoming established at the ten per cent level — though commissions of fifteen per cent are not unknown. It should be borne in mind in this connection that these charges are for the marketing of a range of commodities which present on the average considerably greater risk and difficulty than did the wares dealt in at an earlier day, before food products had to be out of season in order to be desirable. Still the fact that it actually costs the produce-man seven per cent to handle goods on South Water Street at least suggests that the technical efficiency of the business has not kept pace with advances in other lines.[1]

[1] At the 1916 meeting of the National League of Commission Merchants a report was read covering the subject of rates of commission and cost of doing business. Both for the light which this report throws on Chicago conditions and for the opportunity which it furnishes us to compare our situation with that in other cities, a part of these figures are presented here: —

"Boston reports rates of commission through seven firms in that city at 5 per cent to 10 per cent; one reporting straight 7 per cent. The cost of doing business ranges from 4 per cent to 5 per cent. Baltimore reports commissions at 5 per cent to 10 per cent, and the cost of doing business

In the case of goods not handled on the commission basis, the cost of marketing is to be measured by the margin by which the dealer protects his purchases. The difference between seller's and buyer's price, of course, covers profits as well as actual costs of operation, but under conditions of active competition profits will be hammered down to that irreducible minimum which connotes a no-profit marginal operator and so may be regarded as a permanent marketing charge. The element of extraordinary and (more or less) monopolistic profits is treated elsewhere.[1]

Concerning the rate of return in the produce business the merchants themselves have gone on record as saying that it is less than one per cent — "one of the smallest profits in the business world." [2] As against this we

at 4½ per cent. Buffalo reports commissions at 5 per cent to 10 per cent, and the cost of doing business at 5 per cent. Chicago reports seven firms getting 5 per cent to 10 per cent commission, and one firm straight 10 per cent. There is a wide range in the cost of doing business there — from 4 per cent to 8¾ per cent. Cincinnati reports 5 per cent to 10 per cent commissions, and the cost of doing business at 5 per cent to 8 per cent. Cleveland reports 5 per cent to 10 per cent commission, and 6¼ per cent as the cost of doing business. Columbus, O., charges 10 per cent straight for everything, and reports cost of doing business at 3 per cent to 9 per cent. Indianapolis reports 7 per cent to 10 per cent commissions, and 6 per cent as the cost of doing business. Kansas City reports 5 per cent to 10 per cent commissions, and 6 per cent to 7 per cent as the cost of doing business. Louisville, Ky., reports 5 per cent to 10 per cent commission and 4 per cent as the cost of doing business. Milwaukee, Wis., reports 5 per cent to 10 per cent commission and 7 per cent to 7½ per cent as the cost of doing business. Minneapolis reports 5 per cent to 15 per cent commission and 7 per cent to 10 per cent as the cost of doing business. New Orleans reports 7 per cent to 10 per cent, and 4 per cent as the cost of doing business. New York City reports 5 per cent to 10 per cent commissions; 5 per cent to 7 per cent on dock business, and 3½ per cent to 5½ per cent as the cost of doing business. Philadelphia reports 5 per cent to 10 per cent commissions and 3 per cent and 5 per cent on butter, eggs, and poultry; and the cost of doing business in the jobbing department at 6½ and in the wholesale department at 3½ per cent to 4½ per cent. Pittsburgh reports commissions at 7 per cent to 10 per cent and the cost of doing business at 4½ to 8 per cent."

[1] See pp. 145 ff., 173–75, chap. xi.

[2] *Chicago Examiner*, January 1, 1915. They failed to state whether this is a percentage on turnover, on capital, or what.

have the showing of the Municipal Markets Commission that "the average increase in price of nine articles on which statistics were obtained for the week ending February 28, 1914, was 225.6 per cent." [1] There are also the general figures for the country as a whole and for localities other than Chicago, which claim that the cost of marketing food products averages about fifty per cent of the retail cost, and frequently runs to sixty or seventy per cent. Indeed, the claims of the merchants are so optimistic and those of some others so despairing that one doubts if either can be entirely true.

All this supposedly statistical proof should be closely scrutinized in three particulars: choice of data, method of computation, and basis of comparison. Price figures should be selected because they represent really important items of the trade, and not because they are the first ones that come to hand or because they seem to prove a theory. Butter, eggs, poultry, potatoes, citrus fruits, apples, Southern truck, peaches, onions, strawberries, and melons; here is a list which gives a fairly adequate account of what is being handled in the market. While far from exhaustive, it is at least typical. Most lists offered to the public give as large a place and importance to a few obscure commodities as to the great staples. The Municipal Markets Commission figure cited above is largely a reflection of the wide margin on carrots, beets, and parsnips. It makes horseradish as significant as eggs.[2]

As to methods of computation, two errors should be avoided. We should keep the identity of the article whose price we are tracing, and we should be wary of averages or lump sums. To put all our figures into a single average cost of marketing food products is to hide the very thing

[1] *Preliminary Report*, p. 13.

[2] Many of the articles whose retail prices show such an enormous increase over producer's price are those which are bought in very small bulk at conventional prices such as "a nickel a bunch."

we are searching for. We wish to find out where costs are high and where they are low, for only by knowing where the burden is heavy can we know at which point to direct our attacks, and by studying the lines which are handled on narrow margins can we appreciate what methods have been followed where economy has been achieved. Because of differences in volume of goods handled, perishability, or other reason, permanent differences of method and in cost must exist. By separating the various lines, we can get a tenable standard of what is attainable, by comparing the results secured by different dealers and in different sections. It is analysis rather than averaging which gives us an accurate perception of the merits and the defects of the system.

In the second place, it is very common to compare the price per pound received by the grower with the price per pound paid by the consumer, and to figure from this the percentage received by the former. This is in most cases incorrect, since the commodity sold to the housewife has undergone a considerable transformation and is not identical with that sold by the grower. Thus I pay 3½ cents a pound for flour and the farmer receives 90 cents a bushel for wheat. Is it correct to say that the farmer gets only 42.8 per cent of the consumer's price? Obviously not, for he is paid for more than a pound of wheat for every pound of flour. In the same way the dozen eggs that the farmer sells at 15 cents is not the dozen eggs that I buy for 25. Let us take one hundred dozen eggs, which bring the farmer $15. It is likely that three dozen will be broken in handling or discarded by the candler on account of their poor quality; five dozen more are graded as "checks and dirties" and bring only 10 cents a dozen; twelve dozen are seconds, and sell at 18 cents; thirty dozen are firsts and bring 22 cents; and fifty dozen grade "extra" and command 25 cents a dozen. This makes the total proceeds of the hundred dozen amount to $21.76

and the producer's share is nearly 69 per cent of that amount. That unit price, whether it be a pound or a peck or a dozen, is not a correct basis for such comparisons is therefore evident, but figures are nearly always so construed.[1]

It is evident, furthermore, that when we pass over into the field of retail selling, it is quite impossible to ascertain a "cost of marketing in Chicago," even for a single commodity. Here again the average obscures the significant details: there are in fact many different costs, depending upon whether it be a question of department store, chain store, corner grocery, or peddler's price, depending also on whether it be a North Shore or South Chicago price. The nearest thing that we could get to a "cost of marketing food products in Chicago" would be a statistical exhibit of costs incurred on different commodities, at stated intervals of time, in various representative parts of the city, when handled through the several agencies of distribution. Such a study would make a stout volume, and is beyond the scope of the present discussion. Two of its most striking features we may, however, take up in miniature. These are the distribution of costs among the different parts of the system, and the relative margin on different classes of goods.

The marketing chain has sometimes more and sometimes fewer links, but a typical case would be one in which there are four middlemen: country shipper, Chicago receiver, jobber, grocer. All the evidence seems to indicate that of these four steps the one attended with least expense is the wholesale handling by the receiver. Concentrating in the country and jobbing in the city cost a little more, and retailing by the grocer is the most ex-

[1] Indeed, it occasionally goes to the absurd length of comparing the article served as part of a meal with the grower's price. (See *Municipal Markets Commission, Preliminary Report*, p. 14.) Why not add also the tip given to the waiter or the hat-boy's dime. So, too, no doubt, the cost of gasoline and the wear and tear on your limousine.

pensive part of the whole process. The accompanying table (page 122) sets forth the facts so far as they can be secured from a variety of sources. Figures for other markets are also given as a means of comparing Chicago's system with others. It has been very common to present such marketing costs as percentages of the consumer's price. That practice has not been followed here for two reasons: (1) it almost invariably leads to the overlooking of the enhancement of the price *per unit* which is due to loss or shrinkage of goods during the marketing process, and (2) because it is not closely in accord with the general business practice of figuring costs of operation upon the amount of the business turnover.

These figures are significant as showing which parts of the process impose a heavy, and which a light, burden upon the traffic. If wholesale dealing is carried on at a cost of only one to three per cent of the retail cost of the goods, we need not be greatly disturbed if our analysis shows that this middleman is one whose service cannot be dispensed with.[1] On the other hand, concentrators' and jobbers'[2] charges are somewhat larger, but producers'

[1] See chapters X and XI.

[2] At the annual convention of the Western Fruit Jobbers' Association in January, 1916, Mr. William H. Grupe, the president, discussed the cost of doing business of the car-lot receiver and of the jobber. The latter service costs much more than the former and, with rising costs of labor, hauling, and other items, jobbers' costs have advanced from 10 per cent of the gross sales to such figures as 12 per cent or 15 per cent. "The idea of handling goods on 10 per cent is an antiquated one, no longer used in the business, though some people cling to it and wonder what ails the business. Five, 7, and 10 per cent are all right for carload distributors who sell out from the car to wholesalers, but when we must take goods into a wareroom, send men on the road to sell them, pack and repack, deliver about the city in small lots and to freight houses, make numberless little sales, we find that it costs us about 15 per cent and that with a natural loss which comes from shrinkage the wholesaler should get about 15 to 20 per cent profit. He can, of course, sell large orders direct from the car on 10 per cent and make a profit, but he could not make over delivery expense on low-priced commodities like cabbage at present market prices on 10 per cent. It costs 10 per cent or more on

TYPICAL DEALERS' MARGINS* ON PRODUCE COMMODITIES

	Shipper (per cent)	*Wholesaler (per cent)*	*Jobber (per cent)*	*Retailer (per cent)*
Butter †.....	5–10	1–5	4–7	10–15
	...	1.1	4.8	13.9
	...	5.6	...	11.7
Poultry ‡.....	5–10	2.5–5	5–15	10–25
	...	11.9	...	20
Eggs §.....	5–20	1–5	3–10	10–20
	4.3	...	12.7	14.7
Cheese **.....	...	4.8	10.2	21.9
Potatoes ††....	10–20	1–5	5–15	15–25
	14.3	4.3	8.8	26.0
Strawberries ‡‡	5–10	5–7	5–15	10–30
Oranges §§....	...	2.6	12.3	33.3

* That is, the percentage which the dealer's charge or increment is to the price which he gets for the goods, *not percentage of the consumer's price*. The writer believes that this method is better for our purposes, as showing the ratio of the marketing expense to the *value of the goods handled*. The message of the figures is not, however, entirely clear, owing to the fact that in several cases the margin represents the total "mark-up" and does not differentiate waste from actual costs of marketing.

† The first of these three sets of figures are what the writer finds to be the ordinary range of charges for goods marketed through Chicago merchants. The second set is worked out from Weld's figures (University of Minnesota, *Studies in the Social Sciences*, no. 4, p. 8) for the cost of marketing Minnesota bulk butter in New York City. The third set is derived from a study by the Bureau of Labor Statistics, United States Department of Labor (Bulletin no. 164, p. 56), of the marketing of sixteen lots of tub butter in Chicago in June and December, 1910 and 1911. This butter was apparently handled by a wholesaler who did his own jobbing. If we separate the rather customary wholesaling charge of one half cent per pound, this would show at the prices then maintaining for butter, 1.7 per cent to the wholesaler and 3.9 per cent to the jobber. Both the last two sets of figures deal with butter sold direct by the creamery to the city receiver, thus eliminating the country shipper's charge. Where he does intervene (in the case of country butter) 5 per cent is about the minimum which will keep him in business and, in the absence of strong competition, the price he pays the farmer is such as to leave him a considerably wider slice of profit on the business.

Professor B. H. Hibbard and Mr. Asher Hobson have shown (Wisconsin Experiment Station, Bulletin no. 270) that butter delivered to the city market — and most of their figures were for Chicago — for 27.96 cents cost the retailer 31.12 cents and the consumer 34.55 cents. The wholesaling charge was 1.75 cents or (probably) half a cent to the receiver and a cent and a quarter to the jobber. This would be 1.7 per cent to the former and 4.0 per cent to the latter. However, there are storage, shrinkage, and packaging charges amounting to .18 cent, .23 cent, and 1 cent respectively, which fall upon the jobber ordinarily, and would bring his total mark-up to 2.66 cents, or 8.6 per cent of what he gets from the retailer. Of course, it might be the wholesale receiver who did the

storing; this would somewhat change our percentages. But the heavy expense of packaging is quite sure to occur in the jobber's hands. The retailer's margin is 3.43 cents, or 9.9 per cent of the price paid by the consumer.

‡ The first figures are the author's; the second, Weld's (*loc. cit.*). This is for an express shipment of chickens from a farmer to a Minneapolis produce merchant. Although Weld calls him a wholesaler, it would be much better to put this charge in our "jobber" column. The writer has consigned many a coop of chickens, case of eggs, and crate of vegetables by express to the Chicago market, where they were handled on a commission of 5 per cent of the sale price. This, of course, amounts to more than that percentage of the shipper's return. On five shipments for which the "account sales" are at hand, it amounts to 5.7 per cent. This is for a very short express run; if it had been long, the net returns would have been less and the commission charge would have made a proportionately larger percentage. Where poultry is shipped by a country dealer we find that his margin has in many cases become conventionalized at 2 cents per pound. This means 15 to 20 per cent of the ordinary run of prices, but he must bear the cost of transportation to market. As in the case of butter and eggs, 5 per cent is generally regarded as the narrowest practicable margin for the country shipper.

§ The first figures were sceured from the Chicago market. Eggs are customarily handled on a margin of one fourth cent in car-lots and one third to one half cent in smaller wholesale lots. Jobbers are in the habit of selling to the retail trade at an advance of 30 cents a case and those who run "egg wagons" (itinerant jobbers) furnish retailers at an advance of 50 cents per case. With eggs at 25 cents per dozen in case-lots, this would mean a jobbing charge of 3.1 per cent in the first case and of 6.25 per cent in the latter. The higher charge, however, covers service of delivery.

The second figures were computed from data of the New York State Food Investigating Commission (*Report*, p. 59; reprinted in Bulletin no. 132, Agricultural Experiment Station, University of Minnesota, p. 38, and in Weld, *Marketing of Farm Products*, p. 197). They are for Iowa eggs marketed in New York City after being stored by the jobber. If the storage charge be omitted, the jobber's margin drops to 7.0 per cent. Even so, it probably contains an element of price increase due to the successful holding of purchased goods and is higher than the 1-cent jobber's charge in Chicago unless eggs at wholesale were as low as 10½ cents per dozen.

** American cheese from Wisconsin factories, season of 1913–14, computed from data in Bulletin no. 251, Agricultural Experiment Station, University of Wisconsin. Selling by the factory eliminates the local concentrator, though this case differs from many others in that the wholesale dealer is located in the producing territory rather than in the great market cities. Such dealers sell most of their wares in jobbing lots all over the country. These figures relate to all markets.

†† First the writer's figures; second, those given out by the dealers in a newspaper address to the public. They are based on a farm price of 30 cents and a retail price of 77 cents. In many cases the local shipper's charge covers the cost of storage for several months. A large amount of the wholesaling of potatoes in Chicago is done on a flat rate of $10 per car. Ordinarily this means about 2½ per cent. With potatoes at their highest in the winter of 1917, it went considerably below 1 per cent. Professor Taylor's figures (Bull. 256, Wis. Ex. Station, p. 32) give practically the same impression as those given in the table.

‡‡ With such commodities there is the widest possible fluctuation depending upon price conditions. With the very perishable goods, the tendency is for jobbing and retailing margins to be very large. But they include considerable waste as well as a high cost of doing the business. The United States Department of Agriculture in 1914 traced 3813 crates of cantaloupes from grower to retailer. They showed a wholesaler's margin of 1.3 per cent, jobber's margin of 11.5 per cent, and retailer's margin of 32.9 per cent. The necessity of taking large averages if a correct impression is to be obtained (particularly in the case of the car-lot operator) is to be seen from the fact that the wholesale margin on six of the seven shipments averaged 9.0 per cent, that there was a loss of 50.5 per cent on the seventh lot, and an average of 1.3 per cent as the wholesaling margin on all.

§§ From data secured by the California Fruit Growers' Exchange from 5485 dealers in the principal citrus fruit markets (presented by G. Harold Powell in the *Western Fruit Jobber* of April, 1915). The figure in the "wholesaler" column represents the "grower's cost of selling the jobber," and so includes the actual expense of local shipping as well as selling service in the central market. It does not include any costs of transportation, storage, grading, and packing such as are frequently included in local shippers' charges.

coöperation is doing much to eliminate the former, and consumers' coöperation and retail reorganization offer some hope for the reduction of the latter. Neither concentrator nor jobber will disappear entirely, nor, even if they did, would the cost of performing their service be eliminated. But with the development of an alternative type of selling organization, we shall have competition on the basis of cheapness, similar to that between rail and water transportation systems. This will tend to prevent the levying of exorbitant charges at these points in the system, and also to prevent costs remaining high because inefficiency is left undisturbed.

Likewise these figures show (what has been growing more and more clear as investigations of this problem have progressed) that the heaviest burden is that due to the retailers' charge. This is not due to the inordinate profits made by the retailers; almost all of them regard the carrying of fruit and vegetables as an unavoidable nuisance.[1] The source of the trouble is to be found in the expensive way in which our retail trade is carried on, and to the enormous waste suffered by produce in the retailers' hands. The first point has been so thoroughly discussed of late that we hardly need do more than list the points which have been established, such as small size of shops, expensive order and delivery service, credit sales and the delay and loss incident thereto, and giving of trading stamps and premiums. Admitting the cumbersomeness of this system, it should be borne in mind that "you can't un-scramble eggs" and it is hardly to be supposed that

gross sales, special expense to ripen, trim, and pack bananas for shipment. The cost of handling goods varies with the prices obtained and the amount of work necessary to put them in condition to deliver or ship and with the quantity sold at one time and the effort put forth to make the sale. Please notice that you can buy a watch for $1 up to $500, but commissions are all one price."

[1] Unpublished Hearings of the Municipal Markets Commission, November 10, 1914. Occasionally a grocer devotes special attention to this line and makes it pay. See footnote p. 98.

you can get the Chicago housewife to give up the telephone and the delivery system, and go marketing with a basket on her arm. Theoretically there are great possibilities of saving through chain stores or other form of consolidation, cash sales, and coöperative buying; in practice, it has been impossible thus far to break the "cake of custom" and do away with the corner-grocery system of the past. What prospect the future holds will be discussed in the closing chapter.

The waste now involved in our retail system is likewise due in large degree to the smallness of our retail units. Competition requires each little store to carry a large line of produce, but the movement of the goods is so slow and uncertain that often half the stock spoils before it can be sold. The grocer buys a box of oranges, and retails them over a period of ten days or two weeks. If demand happens to be slow, he may have to throw away several dozen, because decay begins before they can be disposed of. With a store large enough to handle a box a day, practically all such waste is eliminated. The case is even more extreme in connection with a very perishable commodity like strawberries. The advent of one or two extra peddlers in the neighborhood may cause half the grocers' stocks of berries to be dumped into the garbage can. It is quite obvious that if all orders could be sent in to a single large store in each locality and delivered by a single districted delivery system, great saving would be effected. But it is equally obvious that human nature has not settled down to doing things in that rational fashion. And many goods would not be called for at all, unless demand were stimulated by the repeated appeals of frequent grocers' window displays and the importunities of peddlers.

The other fact that an adequate array of statistics would serve to reveal is that some lines are handled on quite narrow margins, while others show a very wide "spread" between producer and final purchaser. Thus,

at a given time producers are paying 32 cents a pound for butter and 24 cents a dozen for eggs which net the producer 27 and 17 cents respectively. This is not an unduly wide margin; by contrast the spread on oranges seems very wide. The grower gets about $1 per box for his fruit packed ready for shipment, freight and refrigeration cost about $1.25 more, and 50 cents goes to defray the cost of marketing.[1] Cantaloupes, strawberries, and early tomatoes show much the same result. Owing to distance and perishability, cost of transportation is high and loss great. Thus a crate of forty-five Imperial Valley cantaloupes which sold for 10 cents apiece, retail, would yield the grower only about 75 cents, or 16.6 per cent of the retail price, assuming that there was no loss from spoilage. As a matter of fact, there is a margin of about $2 here to cover the profits, loss from spoilage, and risk to the retailer and jobber; about 50 cents to the wholesale receiver; $1.25 for freight, refrigeration, and cartage; and 75 cents to the grower. Cantaloupes furnish probably the best example of an article of extreme perishability, produced at a great distance from the market, and subject to a somewhat limited and very treacherous demand; in which the margin between consumer's price and grower's return is large, and yet the profits to dealers slight or entirely absent. The Chicago cantaloupe men claim that this line has been a constant source of loss to them.

Roughly, then, we may divide produce commodities into two great classes: (1) those which may be regarded as the great staples of fairly constant demand and which move in large volume and at a moderate cost of marketing; and (2) those which are more perishable, come from distant producing sections, appeal to the out-of-season taste of

[1] Figures of Mr. G. Harold Powell, General Manager of the California Fruit Growers' Exchange, published in the *Western Fruit Jobber*, April, 1915. They are apparently based on unit-price computation, and ignore the element of spoilage.

the community, and whose margin of price is wide both because of the expense and waste entailed in the handling of the traffic and because of the risk involved. The cost of marketing the former class may be said to run from about twenty per cent to fifty per cent, and of the latter class from fifty to perhaps eighty per cent. How much the general level of these costs can be reduced it will be impossible to say until we have had the time and opportunity to measure the savings effected by better organization and equipment of the business. But before jumping to the conclusion that they can be cut in half or all reduced to the same basis of say ten per cent, and before asserting that the present situation is "absurd," we may well compare these figures with selling costs for other lines. The excellent work done by the Bureau of Business Research of Harvard University has given us detailed and reliable information particularly with reference to the marketing of shoes from the manufacturer to the user. Their studies have gone to show that even for manufactured articles, not nearly so perishable as produce commodities, not requiring such careful handling and special storage, nor obliged to bear such high transportation charges, the difference between manufacturer's price and consumer's price is equal to from thirty to forty per cent and more of the retail price. "Forty per cent of the price paid for a pair of shoes is consumed in getting the shoes from the manufacturer to the consumer. Seventy per cent of the $1.50 paid for a certain scientific book does not reach the printer of that book. Similarly, figures varying from thirty-five to seventy per cent could be given for clothing, hardware, and drugs." [1]

The real question in any one of these cases is not alone how many dollars or cents the marketing charge amounts to nor even the percentage of the final price which this

[1] S. O. Martin, *American Economic Review*, Supplement, March, 1915, p. 145.

consumes. These figures must be interpreted in the light of the service rendered in return for any given payment. If they be valuable or indispensable services, furnished at a moderate profit above the costs of an efficient performance, they carry with them their own justification. But if one holds that what we have is merely "a long line of commission men, produce merchants, jobbers, hucksters, retailers, and what-not, simply passing goods from hand to hand, like a bucket brigade at a fire," he must naturally feel that the system is "not only inefficient and wasteful, but very costly." [1] But this vivid statement of the case, like many figures of speech, leaves something to be desired in the way of accurate analysis. It is certainly not more than a half-truth to speak of middlemen as "simply passing goods from hand to hand." The middleman performs four distinct functions, whose value to both producers and consumers should not be overlooked.

In the first place, the middleman provides a market — in his own phrase an "outlet" for the grower's product. He organizes the demand for all the various sorts of produce and brings it into effective touch with the producer, who is commonly in no position to find it for himself. The latter's farm or orchard is located with reference to advantages for production, and therefore far away from the markets in which he must sell his output. His abilities, too, are specialized in the direction of agricultural proficiency rather than commercial expertness. The time of harvesting the crop is generally the busiest season of the year,

[1] The quotation is from the *Report of the Massachusetts Commission on the Cost of Living* (1910), p. 316. The writer does not, however, wish to convey the impression that that body assert that our whole system of food marketing is upon the mere passing from hand to hand plan. They admit (it seems a trifle grudgingly) that "all agree that some middlemen are essential, and that they perform valuable services." But (in contrast to the bucket brigade type of market) "in these days a hydrant and a line of hose are wanted." This is one of those catchy phrases which are so easily dashed off, so alluring in sound, and so remote from any practicable plan of betterment.

leaving the grower little time to devote to the intricate details of marketing his product. Finally, there are comparatively few producers who have a sufficient volume of goods to enable them to ship in car-lot units and yet they must move at that low transportation rate or they cannot get to distant markets at all. Of course, these different considerations apply in differing degrees to this, that, or the other branch of the trade. To some extent the work can be done by the consumers themselves, but that does not mean that it can be done by them without cost or, necessarily, at less cost than by professional traders. Also, experience thus far seems to show that, even though they can put their goods in wholesale lots into the great primary markets, the work of distributing the goods from these natural concentration points and the fitting of these wholesale supplies into particular local demands are best performed by agencies which have specialized in that kind of business.

Time will demonstrate, I believe, that there is a function which we may perhaps call "equalization," which will still demand the services of a separate class of middlemen after producers and consumers have taken over as much of that work as they can. For supplies, on the one hand, are more or less unreliable, fluctuating in quantity and quality according to the caprice of weather, pests, floods, and human nature; and demand, on the other hand, is no less arbitrary, spasmodic, and wayward. But if some central agency gathers these supplies together, classifies them into lots of appropriate size, and directs them into channels where demand is at the moment most keen, all parties are benefited. A large part of the consumers' wants cannot be put in the form of definite orders some time ahead and only a small portion of supplies can be definitely promised in advance. Accordingly, a clearing-house is needed, where current supplies may be offset against the day's demands.

This consideration looks over into the second division of our subject, namely, the middleman's service to the consumer. To only a small extent is the modern consumer able to connect himself directly with sources of supply. He possesses neither the facilities nor the knowledge. His elaborate market basket is filled from all over the world, from places he wots not of, and yet is replenished daily or twice or thrice a day from stocks which have been brought within his instant reach. Commercial agencies of supply are scouring the world for better goods and constantly seeking better means of bringing them to the place of use and of keeping them in the best condition till the time of use. Obviously the middleman is in business to make money, but he can make money only by performing a service which has a money value to the public.

Alongside of these commercial activities of the produce dealer is a third class of services which may be called "technical" — the actual handling of the goods, storage, repacking and regrading where necessary, culling, sorting, and fitting to meet needs or whims (sanitary, artistic, or other) of the buying public. It is the oft-repeated comment of the dealers that many people buy, not according to reason, but according to their prejudices; not to get nourishment or flavor or real excellence, but to please the eye. The extra labor and material thus called for cost money. Efforts are being made to get all producers to pack properly and to secure standardization of packages, so that repacking will no longer be necessary except in cases of partial spoilage. But at present it is an important service, and will always remain so to some extent, for the best-packed goods sometimes suffer in transit, and require special attention to restore them to merchantable condition.

Storage is partly a technical service, but it is charged for on a time basis and so comes also under the head of financing services. This fourth class of middlemen's serv-

ices is of great importance and yet is entirely overlooked by those who regard him as engaged in merely passing goods from hand to hand. When the householder buys his apples and potatoes only as he needs them, and pays for them only at the end of the month, after they have been consumed, he should not forget that some one has financed that portion of his living expenses, instead of his doing it himself, as was the case when it was the practice to put a barrel or two of apples and several bushels of potatoes in the cellar in the autumn. A previous chapter has also shown how the dealer goes even much farther back and finances the transportation and perhaps the growing of the crop. In terms of a peck of potatoes, the cost and importance of financing doubtless appears insignificant, but for the dealer who handles hundreds or thousands of carloads it constitutes a considerable burden. As a prominent produce merchant remarked: "I have about $30,000 tied up in Texas produce — have had since last fall, when they could n't sell their cotton down there. And money was worth something this winter" (1914–15). This service doubly benefits the consumer, because without it producers would be crippled, supplies curtailed, and prices advanced. This is not to say that producers may not in time arrange to finance their own operations, but so long as the middleman is called upon to do it he is undoubtedly performing a service which should not be overlooked when we are balancing his account with the public.

Bearing in mind, then, the character of these services which the various marketing agencies perform, the issue is joined upon the question: Does the produce merchant receive too large a reward for what he does? Our analysis of the situation would go to show that the rates of payment actually received are in reality considerably less than people have been led by the newspapers and popular agitators to suppose, and that in return for this remun-

eration the middlemen render services more important in character and more expensive to supply than most persons realize. It has at the same time sought to make it evident that in certain features of its organization and, more particularly, its equipment, the market falls below a standard of efficiency which actual experience in other parts of our economic system shows to be entirely practicable and which we must believe are attainable now or at least very soon in the produce market. Of this, more will appear later.

Thus far, of course, we have been talking of the actual costs of carrying on the business and have generally premised a competitive condition capable of keeping the price of the service down to its marginal cost of production. Much of the current dissatisfaction with our marketing methods, however, is based upon a belief or supposition that the dealer's returns bear little if any relation to his costs of doing business, but represent rather his power to fix prices at a point which will fatten his wallet at the public's expense. This conception of the produce dealer as a price-fixer raises some large issues as to the nature of the price-making process and the part in it which is played by the merchant. That discussion will take us over into an examination of the forces of supply and demand and of the dealer's relation to them.

CHAPTER VIII

THE EFFECT OF THE MARKET SYSTEM UPON PRICES (*continued*)

The previous chapter has shown the nature, and, to some extent, the amount, of the charges which are incidental to the handling of goods through the Chicago market. In a few cases it has suggested where and how these costs of the dealer are incorporated into the price at which goods must be bought by the consumer. But it should not be supposed that the only influence of marketing costs is to add just their own amount to selling prices. It is probably the natural course for persons not trained in critical thought to assume by a sort of mental "short cut" that a dollar added to the expense of handling goods means a dollar added to the consumer's bill. Such a theory was referred to under the name "price accumulation" [1] at the beginning of this discussion of prices. The expression is striking, no doubt, but the idea underlying it is open to considerable objection on the ground that it takes account of only a part of the forces which are really effective in the making of prices. It is essentially a cost-of-production theory of value, which views prices as made up of successive increments of expense incurred in growing, in transporting, in merchandising crops. Those who use this method of explaining prices speak as though selling prices were made by simply "loading" buying prices with a predetermined percentage to cover cost plus some arbitrary margin of profit.

Undoubtedly for certain purposes of showing the distribution of the "consumer's dollar" among the agents

[1] An expression borrowed by the Chicago Municipal Market Commission from an earlier New York report.

who have a hand in bringing goods to his kitchen, this form of statement is effective. But an analysis in terms of *price-paring* or subtraction would be no less illuminating and at the same time conforms more closely to the actual play of forces in the market. It is the valuation which the user of the article places upon it — the price which he can be induced to pay — which is the proper starting-point for a discussion of the price-making process. This fact is quite obvious in the case of goods shipped on consignment. With them there is no producers' price, to which the commission man's charge is added to make the city selling price. Instead, goods are offered in the market, to whatever buyers come to bid, by the various sellers, who act merely as agents of the respective shippers. When the bargaining between the members of these two groups has resulted in a sale, the gross price thus created is reduced by the amount of the commission and to the extent of transportation charges, and the net amount remaining constitutes the shipper's price. Nor is the situation essentially different if the dealer be acting for himself and not as the agent for another. The jobber who buys from the wholesale commission man does not feel bound by what the country shipper paid for the goods, but he is extremely sensitive to what the retail dealer will be willing to pay him for them. In precisely the same way the retailer takes careful account of the willingness of his patrons to buy vegetables, fruit, or eggs at this or that price. What the consumer will pay inevitably governs what the retailer will give the jobber, and accordingly limits the price jobbers will bid at the auction or offer to the commission man, and so determines the price which the shipper can secure, which in turn sets the level of payment to producers.

This may be called price "disintegration." To substitute this account of the matter in place of the common story of price "accumulation," may seem to threaten us

with standing so straight that we lean backwards. We must view the market from both sides. Though a force of prime importance in the making of prices flows from consumer to producer, there is a not less important counter-force which sets from the producers' side of the bargain and decides how high consumers' bids must rise before supplies will be forthcoming to satisfy those demands. The point which claims our attention in this chapter is the fact that it is the market mechanism itself which determines precisely what demand and what supply shall be brought together in Chicago. In order to appreciate the situation fully, we should first get in mind certain general propositions concerning the relation of demand and supply to prices.

It is evident that the demand for produce is, like the demand for every other article, not a fixed and dead-level affair. The market does not call for a set quantity of tomatoes in March or of fresh eggs in January. A few rich persons would buy eggs in the scarce season at $1 a dozen or even more if need be; at 75 cents many more of the well-to-do add themselves to the effective demand; at 50 cents comes the somewhat abstemious demand with which we are familiar; at 40 cents careful housewives buy steadily but sparingly; but there is a still uncovered demand for many more at 35 or 30 cents a dozen, and a whole horde of potential purchasers at still lower levels of price. In the same way there is throughout the rank and file of the population a large reserve demand for winter tomatoes, while it is the actual offers of some larger or smaller number of them which determines the price that shall be paid for such limited stocks as do come upon the market.

Thus we may say that the willingness and ability of consumers to pay any given scale of prices for certain amounts of a given commodity determines what the price figures *might* be. On the other hand, it is the activities of those persons who are engaged in providing supplies

of such articles that determine what the prices *must* be as a result of the volume of goods which they are instrumental in having offered in that market and of the volume and character of the demand with which they bring them into contact. We should not be satisfied with the prices which emerge in the market process of equilibrating supplies and demands unless we are assured that the market has not failed of reaching the most ample, the cheapest, and the best sources of supply. Neither can we justify the system if the market mechanism fails to open up a broad avenue of communication to consumers, whereby the full force of desire for the commodities and the full measure of their ability to pay may be brought to play in the market.

Whoever studies the Chicago market with care must be convinced that in some of its departments it shows a high degree of efficiency in organizing the demand side of its business, while in other departments it is far behind. The wholesale system is so organized as to secure a comprehensive view of many markets and a flexible method of distributing goods where most needed in so far as transportation conditions and costs will permit. What might be called "trader demand" is very fully reached and accurately appraised through the medium of trade papers, wholesalers' organizations, and personal representation. But the coördination between jobber and retailer and between retailer and consumer is much more imperfect. Only in recent years have the jobbing and retail dealer begun to realize the importance of going out in search of demand or of endeavoring to create, stimulate, or direct it.

By undertaking to educate the public as to the proper basis of grades and values of goods, informing them as to the conditions of the market and putting them in touch with opportunities for economical buying, dealers may render both producers and consumers a distinct service and at the same time build up their own business. One particular phase of this effort has been directed against

the inflexible system of price-marking employed by retailers. It has been found that many of these dealers are inclined to put more or less conventional prices upon many lines of produce which they handle, quite failing to make their prices correspond to changes in what they are themselves paying in the wholesale market. This means that when goods become plentiful and cheap on South Water Street there is not a proportionate drop in the local retail markets such as would stimulate consumption and prevent the congestion of supplies and consequent loss. It is pointed out that if the retailer would move his prices down promptly in response to such conditions he would so stimulate demand that his volume of trade would increase in such manner as to give him a profit as large as that derived from the higher price and fewer sales. At the same time, such a policy would also benefit the wholesale trader and the grower.[1]

Certain of the Chicago dealers individually or through organizations have undertaken to establish this helpful contact with the consumer, though thus far in only a small and rather negative way. That is, the dealers have felt that the public underestimated the value of certain classes of goods, and have set about a campaign of education to remove what they consider a harmful prejudice. The Chicago Butter and Egg Board have attempted to establish an *entente cordiale* between the consumer and the despised cold-storage egg. This has been done through the medium of advertisements in the daily papers, of which the following is a fair representative:[2]

[1] In the case of certain goods, of a seasonal character especially, an effort is being made to show retailers the wisdom of making their price as low as possible at the opening of the season, in order to start at once a good volume of demand, which can be retained and developed throughout the season. Experienced men have found that if prices are high (or quality poor) at the beginning of the movement, consumers shy off and cannot be brought back into the market for weeks, if at all.

[2] From *Chicago Tribune*, October 21, 1914.

EGGS AND HAM

can't be beaten as a real *man's* breakfast by all the new-fangled "breakfast" foods on earth.

Crisp, relishing, sizzling eggs and ham will enable you to start out with pep and snap on the cold days of winter. Eggs are sheer nutriment well divided between the muscle-building protein and the energy-giving carbohydrates.

And eggs have withstood the general rise in the price of food stuffs. The *very best* cold-storage eggs — which means a *superior* class of eggs — are now being sold to grocers at 24¢. to 26¢. a dozen.

Remember that a cold-storage egg is simply *one that has been scientifically cared for*. Milo M. Hastings, a scientist in the employ of the United States Government, says in an official bulletin:

"Because of the readiness with which eggs spoil, the term 'fresh' has become synonymous with the idea of desirable quality in eggs. However, the actual age of an egg is only one of the factors which affect the quality. An egg *48 hours old*, that has lain in a wheat shock during a warm July rain, would probably be swarming with bacteria and absolutely unfit for food, while another egg, *stored eight months in a first-class cold-storage room*, would be of good quality."

YOU NEED NOT FEAR TO EAT PLENTY OF EGGS IF YOU INSIST ON GETTING THE BEST CANDLED, SELECTED COLD-STORAGE EGGS.

CHICAGO BUTTER AND EGG BOARD.

On January 1, 1915, the Chicago Butter and Egg Board again addressed the public upon the same subject through the advertising pages of the *Chicago Examiner*, under the alluring caption "The Hen, the Egg, and the Unvarnished Truth." On the same day a large group of produce merchants joined in a full-page address to the consumer, in which they argue the same cause, namely, the desirability of making demand intelligent. They said in part: —

There has come into the living of this twentieth century one feature which has proven disastrous.

That feature is the public's demand "For The Best."

Everybody is demanding the best apples, the best celery, the

best fruit and the earliest, the best poultry, the best butter, the largest eggs.

Nature goes on producing all kinds of food, good, bad, and indifferent, in about the same proportions. But when you demand the BEST, the effort of every one, from the farmer to the grocer, is bent upon giving it to you, or at least in making it SEEM like the best; and untold effort is spent upon making your purchase look pleasing to the eye.

A potato used to be just a potato. To-day we have many grades of potatoes. They are even sized like peaches to please your fancy. Your celery is crated and your turnips are washed. Turnip washing has become a big business in this present day.

One way to reduce your cost of living is to go oftener to your grocer and use your telephone less. And to remember that a SMALL apple may taste as good as a big red one wrapped in tissue paper; that a potato is STILL a potato and SIZE does n't alter the TASTE; that putting a turnip through an electric washing machine does n't alter the FLAVOR, although it does alter the price.

All of these things you get because you DEMAND them and all of them cost money. Everybody is bent upon giving you what you demand. Even the putting of the large berries on top is simply an effort to make your crate "LOOK NICE." Because nicety is what you pay for.

Probably the LARGEST FACTOR in this high cost of living is that the public keeps buying to please its EYES instead of its PALATE.

Later in the same year, when a very heavy production of peaches threatened to glut the market, dealers organized a "peach week" crusade to draw out the full demand for peaches at the low prices then possible. They agreed to supply the retailer at $1.25 per bushel if he would retail at $1.50 and seek to persuade housewives to buy in larger quantities than had been their custom. The stimulating effect of this movement was felt for several weeks and did much to keep peaches from being wasted for lack of a market. It also helped buyers to get good value for their money.[1]

[1] Similar efforts of producers' associations to advertise their products and to boom their sale through the aid of special publicity days — orange day, apple day, olive day, and others — are well known. One dealer writes: "My orange business on Orange Day alone was double that of my biggest previous week."

There are large possibilities of benefit from the full development of this function of the market in shaping and directing demand. Part of it is of a general educative character and may be done through the agency of street-car signs and "apple-day" parades or through magazine or newspaper advertising. Such talking with the public about interests which are mutual is a practice which the dealers might extend with excellent results. But much of the work must be accomplished through the personal activities of the retailer, who prepares attractive window displays, advises his patrons as to what is at the moment a "good buy," and keeps his eyes open in the wholesale market and his prices in line. The valuable services of the peddler in hunting out demand have already been discussed. The net effect of all these endeavors is to bring the whole of consumers' demand to express itself as quickly and clearly as possible to the producers of goods and thus to put values upon a wholesome basis.

To look at the matter from this point of view is merely to take the constructive, progressive attitude which every really up-to-date business man, every truly intelligent citizen, should maintain. Without belittling the results now attained by our market mechanism or demanding that it do the impossible, we should yet refuse to be satisfied with present results if, or in so far as, we can devise any means for still further improving the system. It is the danger of self-complacency on the part of the man who asserts that his business is governed by the law of supply and demand which causes us to insist upon an examination of those terms and a scrutiny of those conditions and forces which lie back of a given supply or a particular demand.

When the produce dealer says that he is powerless in the face of the law of supply and demand, he is thinking of certain hard facts which confront him every day in his business. He knows that he cannot sell goods for more than people can or will pay, nor get supplies that do not

exist, or for less than what producers will accept in view of the quantity which they have produced. He is fond of pointing out that he is not to be held responsible for the high prices which result from the frosting of peach blossoms in Missouri, nor for the low prices that result because a week of cold weather weakens the Chicagoan's craving for strawberries just at the moment when the Texas crop movement is at its height. We grant that these are fixed conditions with which he has to contend and which his efforts cannot modify. But they do not by any means cover the whole case. There are likewise conditions which do admit of modification, and it is upon his ability in shaping these to the best interests of his clients, both producers and consumers, that the merits of the middleman's performance are to be judged.

For the dealer to assert that he is merely a passive factor in the price-making process, and therefore absolved of all responsibility as to the cost of produce in Chicago, is to confess defeat and admit his inefficiency. It is precisely in such manipulation of supply and demand that his job consists. What is the middleman there for but to fit units of human want, expressed in purchasing power, to units of want-satisfying goods, at a price mutually acceptable? It is on his skill in making the most effective use of the materials and forces at hand that the grower depends for the largest return possible for his effort, and that the purchaser depends for getting the largest return possible for his money (total product and total wants being what they are). If the expensiveness of the market system raises a barrier against the coming of some part of the product, or if the inertia of the market causes it to fail to touch some part of the potential demand, then we may properly accuse it of failure at the critical points where the efficiency of a marketing system is to be tested.

We have seen that the Chicago produce market has thus far failed to realize its full possibilities in the way of creat-

ing, educating, and developing demand for its wares, but that some progress in this direction is now apparent. What, then, do we find concerning the operation of the market within the field of supply conditions which may be modified by its own activities?

The survey of the organization of the trade has shown us that the wholesale produce dealers have pushed out into more and more distant fields in search of the supplies which their trade demands. Their vision is not bounded by a particular locality or state or country. They seek supplies wherever they can be found — early tomatoes in Cuba and Mexico, onions in Spain, eggs in Siberia, butter in Australia. They have even developed new fields of production from which goods of earlier maturity, better quality, or lower price might be secured, but in which local producers had not the knowledge of market needs or of producing methods, had not the necessary equipment or capital to carry on the given line of production successfully, or lacked the energy or daring to undertake it upon their own risk. Finally, we should notice that the system developed is possessed of a high degree of flexibility, thereby permitting of rapid readjustment in case the customary sources of supply are disturbed by frost or drought or other untoward circumstance. The fact that Chicago is the trading center for a system which supplies a much larger consuming territory means that its access to supplies is unsurpassed.[1]

But no matter how well this central reservoir is stocked with supplies, the system is defective unless consumers' demands are brought fully in touch with these supplies through the agency of their local retail markets. In this

[1] Those persons who look for the solution of all our marketing ills by the substitution of direct-selling methods should not fail to take account of the fact that the direct transaction has nothing of the flexibility of a system which consists of several stages of concentration into larger and smaller trading centers and the complementary process of distributing from central reservoirs along various lines of constantly changing demand.

respect it must be confessed that a city of the character of Chicago faces serious difficulties. The smallness and remoteness of many retail establishments prevents their buying to the best advantage in the jobbing centers and the complex array of goods now dealt in makes it a constantly harder task for the small dealer to become an adequate judge of values and quality. The peddler and the truck jobber have, in these circumstances, become important agencies in bringing the supply to or toward its goal of demand. But it would seem that there is at this point still a lack of correlation which must be removed before we can be content with our arrangements. On its retail side the market is only just beginning to work out aggressive methods for efficiency such as have long been evolving in the wholesale business.

We are now in a position to view from a somewhat broader standpoint the question of marketing costs discussed in the preceding chapter. It is obvious that every item of cost is not merely a direct addition to buyers' prices or a direct subtraction from sellers' prices, but, wherever it falls or however it may be allocated between them, becomes a potent force to alter the whole supply-and-demand situation. The cost of marketing is, like the grower's cost of production, one of the factors in determining the supply side of the market. Concretely, the expenses which must be borne by goods handled through Chicago marketing agencies become one of the most important influences in determining what volume of goods may be found offered upon this market at a given level of price. If the market mechanism is so costly in its operation that only a small part of the consumer's price finds its way back to the grower of the produce, the flow of goods is in the future diverted away from this market or the sources of supply tend to dry up or at least fail to flourish and expand. On the other hand, every reduction of such financial friction in our marketing machinery facilitates the coming of a larger

volume of goods, which are thus put within the reach of persons who are less wealthy, as well as satisfying more cheaply and more fully the wants of all.

In this connection it should be borne in mind that wholesale traders are constantly laboring to reduce that part of this burden which is due to transportation costs by devising better methods of packing and refrigeration, by persuading or forcing the carriers to grant lower rates or furnish better services, and by financing the whole transaction. When casting up our account with the middleman we should not forget this phase of his activities nor fail to realize that when he is wrangling with the railroad officials over transportation rates, service arrangements, and damage claims, he is fighting the consumer's battle and smoothing the producer's road to market and that what profit he may get from that effort is incidental to an improvement in their condition. If, however, his own costs and wastes remain high at the same time that he is fighting for reduction in expenses elsewhere, the beam in his own eye may become a greater harm than the mote he sees in his brother's. The writer inclines to the belief that at the present moment the efforts of the market toward lowering these outside costs are in a stage of diminishing returns as compared with the improvement which could be effected within its own borders. Increasing returns would come from the reequipment of the wholesale market and the reorganization of the jobbing-retail system.

This brings us to the final and most intricate phase of the problem. We have noticed the produce merchant's costs of doing business as a factor in price both directly and as a collateral influence on general supply-and-demand conditions. We have noticed also the activities of the dealer in making certain supplies available in our market and of bringing certain demands to bear upon them. We have spoken as though prices resulted from the equating of these two quantities, with costs the only margin between

consumers' and producers' payments. In the case of goods sold upon commission this is tolerably true. But we are well aware that the market contains also a large and growing volume of goods bought outright by the dealers to be traded in for a profit. Upon the prices of such goods the public looks with a critical eye and frequently avers that these prices are made by a process of manipulation, speculation, and price control. There has been a nebulous impression that some sort of monopoly existed, and there have been, not infrequently, specific charges of combinations to raise prices to the public and depress prices to the producer, and of "official" price-making.

As to the first of these questions, then, a study of the marketing of produce will convince any one that the business is naturally one of very extensive and keen competition. Any one familiar with shipping conditions in the past will, also, in all probability, have personal knowledge of occasions on which competition to get supplies passed from a cut-throat stage into a combination among buyers to establish a uniform price which all would pay at any given shipping point. It was such practices to a large extent which led to the formation of producers' associations, and these organizations have done much to put the bargaining power of growers on a basis of equality with that of buyers of their wares. With better transportation facilities, the universal use of the telephone, the dissemination of business education among agricultural classes, and the activities of farm papers and governmental agencies, the chances for buyers' combinations unnaturally to depress the prices of agricultural products is growing less each year, and where it does happen it is to be charged to the backwardness of the grower [1] not less than to the

[1] If his weak bargaining position is due to his being an isolated producer of a small volume of goods, it is quite likely that the remedy is to be sought in the reorganization of his enterprise rather than in extensive change in the marketing mechanism. Many persons appear to feel that we should have a market system which will secure a profitable price for

avarice of the dealer. Obviously whatever effect it might have upon consumers' prices would be in the direction of lowering them.

The situation as to agreements to hold up the prices at which goods are sold in Chicago is one which it would be practically impossible to reduce to a basis of strict mathematical or legal proof. As to the trade in perishable fruits and vegetables, however, both the indications and the probabilities are against the existence of such combinations. It is a well-known fact that prices on "the Street" are not "maintained," but "that on occasions there is a difference of fully twenty-five per cent on identical articles of produce sold the same day," since "the produce on hand seldom waits for a second bid." [1]

There is plausibility at least in the merchants' own statement of the case: —

> No business or group of businesses that deals in PERISHABLE PRODUCTS can ever form a combination to increase a price. Even if such a combination were formed it could not be successfully maintained for twenty-four hours. If a cabbage is going to rot *to-morrow* you are going to try and sell it *to-day*, and you are going to get whatever price you can as SOON as you can get it.
>
> It is true we have cold storage, but with very few exceptions cold storage is used as a last resort to prevent a DISASTROUS price rather than as a FIRST RESORT TO SECURE an EXORBITANT one.[2]

It is, of course, in connection with those goods that can be stored and speculated in that the strongest complaints are made. Butter, eggs, apples, onions, and potatoes are some of the chief examples. There can be no doubt that every one of these commodities is subject to speculative buying and selling and some measure of price manipulation. But the idea that they can be and are frequently "cornered" by shrewd operators who levy tribute on the

every grower at all times, regardless of his conditions of production. The writer does not entertain such a notion of the function of the market mechanism.

[1] *The Chicago Examiner*, January 1, 1915. [2] *Ibid.*

public is not to be accepted without careful examination of the evidence. The trade in each of these lines is international in scope. We import eggs from Denmark, Russia, and China, and export them to South America and, of late, to Europe; the butter trade includes Australia, Siberia, and western Europe; we ship apples to England and receive onions from Spain and Mexico as well as from Bermuda, and potatoes from Germany, Denmark, and Canada. The attempt to enforce a monopoly price at Chicago is simply the signal for goods to move from other parts of the country or even from other countries to this market, thus checking any artificial enhancement of the price. This does not at all deny the patent fact that any storage of products represents a purposeful redistribution of supplies with a view to having specific desired effects upon future prices. The inevitable result of such storing is to keep prices up during the flush season (while stocks are being accumulated) and to hold them down during the season of shortage (by then releasing the stocks carried forward). Even if that means a higher average of price for the whole year,[1] this increase is not to be accounted a total loss to the public. For, besides possible gains to the producer, the consumer has benefited by having the lean months provided for without the need of any especial foresight on his part. The advantages of speculative trading as a means of equalizing supply (without an actual cornering of the market) are so well established for other lines that it should hardly be necessary to make a special issue of it in this connection.

One point should, perhaps, be noted in view of the character of the figures which are presented to show the profits of speculative dealing. It should be emphasized that the man who undertakes to forecast the market takes

[1] Which Mr. G. K. Holmes, of the United States Department of Agriculture (see Bulletin no. 101, Bureau of Statistics), regards as not disproved by the price statistics which he secured.

chances of loss as well as gain, and the results of his operations are not to be read in the outcome of a single lucky *coup*. Probably eight or ten years would be as short a period as should be taken as a basis for the collection of data if we were to attempt a statistical study of this problem. Thus, a general "bull" sentiment may be built up in a certain line of trade through a period of several years, which leads to overvaluation, excessive buying, and the forwarding of surplus stocks. This is likely to culminate in forced liquidations, deterioration of the product, price demoralization, and loss to the operators.[1] The period of reaction is likely to cover another interval of several years and may be prolonged, reversed, or interrupted by the effects of climatic conditions which influence the supply, or by any extraordinary change in demand.

The organization of the produce trade is too competitive and arrangements are too flexible to permit of the piling up of extensive or permanent monopoly power over prices. Both gluts and famines are quickly relieved except in the one irremediable case, when the total supply is unusually limited or extraordinarily abundant. When all markets are overstocked, no selling methods can get good returns for the producer, and when all are under-supplied, no power (save that of the state) can prevent the holders of those slender stocks, whether grower or trader, from deriving what advantage they can from their strategic situation. This is price control if you please and, if the trader has bought for the rise and holds tight, it may even take on the color of manipulation.

But even granting all this, the situation is not so hideous as many to whom the phenomenon first appears seem to find it, nor is it a condition so easily bettered as they

[1] M. L. Larkin, "The Butter Market," *Journal of Political Economy*, vol. xx, p. 267. Such movements are akin to real-estate booms and automobile manias. The inflation of prices which they bring about is due to the frailty of human nature not less than to defects in the market system.

seem to imagine. Control of prices can be brought about only through a control of supplies, and manipulation of prices only by the artificial glutting or draining of the market or by the creating of a false impression as to the supply or demand conditions. Since humankind are not omniscient, much trading must necessarily be done on the basis of incomplete or incorrect information. Undoubtedly prices are sometimes influenced in the trader's favor by the spreading of garbled reports of car shortage or exaggerated rumors of frost or flood damage. But purposeful deceit can have only limited sway in a market served by many lines of telegraph and telephone connection to all producing and consuming centers, and in which every bit of intelligence is subjected to the check of numerous persons representing diverse angles of interest. With the United States Government's reports both of producing and market conditions, and with various State reports, trade journals, association bureaus, railroad and warehouse reports, newspapers, and private advices, the chances of manipulating prices on doctored news are slight indeed. Errors in interpreting the facts are another matter and will continue while human judgment is fallible.

As for the manipulation of supplies, old wives' tales about produce merchants being in the habit of flooding or draining this market of goods for the sake of engineering a high price or of profiting from a severe depression of the market should be laid at rest.[1] Imperfect though the present system is, it contains within itself the very forces which inevitably work against such results. As soon as prices in this market are out of line with those in other cities or in the producing field, it becomes the dealer's interest to stop buying or to sell to other consuming centers [2] if the price here is too low, or to buy in other cities or direct from growers in order to take ad-

[1] The alleged destruction of goods is discussed on p. 156 ff.

[2] Often by diversion in transit.

vantage of high levels existing here. Such action promptly readjusts the price.

In the case of the selling organization whose scope is so broad that there results a considerable power to equalize supplies in the various markets, its activities are nothing more nor less than a manipulation of supplies both in time and place designed to make the total stock of goods bring the highest price. Control in this sense is the aim of any progressive selling organization — the producers' coöperative association not less than the capitalistic distributing company. Shall we proceed against them all as trusts? Congress has recently decided to exempt farmers' organizations from our prosecution of monopolies. Does this mean that we recognize a distinction between an organization which curtails the production of a good and one which merely exploits its control of a market supply whose creation was at the option of other agencies?

This is the real question, and it covers four cases, each typical in character: —

(1) The distributing agency which has charge of the marketing of all or a controlling portion of the product of a given section.

(2) The dealer who has goods in storage at a season of scarcity.

(3) The dealer with goods which are inadequate to fill the whole market need, owing to an extraordinary increase in demand (such as that for watermelons and lemons during a hot wave), or because of a temporary stoppage in supplies, due to a railroad tie-up, bad weather in the producing section, or similar causes.

(4) All who have goods in hand during a year of short crops.

If one will examine these various propositions he will doubtless agree that we entertain no objections to the deriving of a moderate profit in any of these cases. We

recognize them as part of the normal run of business activities. Where complaint is made it is because the objector feels that such fortuitous power should not be used to oppress the buyer of goods and enrich the seller. He has in mind the idea that only "fair" practices shall be followed even when exploitation is possible. This in practice comes down to a demand that prices be kept to a cost-of-production level and that all excess profits be taboo. Before attempting to make any such philosophy of price effective in one particular economic field, one would do well to bear in mind that it proposes a standard by no means applied to holders of desirable real estate, owners of profitable stocks, or persons possessed of unusual personal abilities or peculiar training. Such persons insist upon the right to cash in the advantage which good luck or shrewd foresight has brought their way, and society has not forbidden them to charge what the traffic will bear. Many people seem to feel, however, that such instances are not analogous to the case we are considering, since the enhancement of food prices means a hold-up of the essential means of life. Nevertheless, such motives have not brought us to invoke the law against doctors' and surgeons' prices which leave poor folk to die, nor to regulate the cost of coal and wool blankets and house rent.

Likewise, if one is convinced that any control of the market process means necessarily a sinister effect on prices, he must look not less askance at the growers' coöperative exchange or the governmental marketing agency than at the dealer's efforts to bring supplies and demands together according to his purpose. But, in fact, there is a vast amount of unclear thinking upon this issue of price control. The consumer is very likely to feel aggrieved at the coming of that selling efficiency which prevents him from ever getting bargains in a glutted market, whereas producers are prone to resent the equalization of supplies by which they are prevented from exploiting a scantily supplied market,

or look longingly toward complete control of supplies as a means of securing large returns.

Assuredly there is need of the greatest care in reasoning upon this complex play of cause and effect in the emergence of prices. Shall we say next winter that eggs are high because storers of eggs get together and boom the price? Or shall we shall say that they are high because exports from Russia and Denmark have been cut off and some of the home supply called for by South American markets, and be glad that the foresight of dealers led them to accumulate as large a stock as they did last April? We should remember that they risk their capital in making such accumulations, and they have been taught from past experience that an attempt to sky-rocket prices carries within itself the seeds of its own destruction, since an unreasonable price will so curtail consumption as to turn expected profits into loss.

But, of course, our tolerance of such speculative transactions [1] as run with the trend of natural forces (and thus demonstrate, in time, their economic justification, whether they are ethically and socially justified or not) presupposes that producers, traders, and the public shall have equal access to the most reliable information concerning actual conditions which are available, that their judgment shall not be led astray by false news or fictitious price quotations. We must assure ourselves that the merchant cannot work in a corner nor throw a cloud over his marketing operations. In Chicago every line of the produce trade contains many buyers and many sellers. Values come to light not merely in the auctions, the Butter and Egg Board, and the Live Poultry Board, but also in the course of countless private sales, which are made, not alone in the light of that organized trading, but also within the influence of each dealer's knowledge or future estimate of supply-and-

[1] And all mercantile operations, except the filling of orders contracted in advance, are in some degree speculative.

demand conditions. These prices are published, not only in the daily Trade Bulletin and the daily newspapers of the city, but also, through the news service of the Bureau of Markets of the United States Department of Agriculture, many of them are telegraphed to distant shipping and diverting points.[1] Trade papers, farm journals, and local dailies or weeklies keep producers informed, so that no intelligent person need be ignorant as to conditions in the market to which he ships. Furthermore, trade opinion is clarified and brought into line with actual conditions through the agency of producers' and shippers' conventions, and the visible supply of goods (that is, those held in storage) is indicated by both private and public warehouse reports.[2]

In spite of all this the assertion is sometimes made that there is a system of "official" price-making, which safeguards the profits of the dealer while sacrificing the interests of the public. If there are official prices they must come from organized trading bodies. There are in Chicago only two places where organized trading is carried on — the Butter and Egg Board and the Live Poultry Board. We have seen that their method of conducting the business consists in a "call" each morning, at which bids and offers can be made, and sales effected if buyers and sellers can come to an agreement on the price. There is no quotation committee which promulgates an official price, but simply a demonstration, under the eyes of the trade, as to buyers'

[1] These reports may be received by mail daily without charge to growers, shippers, and other interested parties. If immediate reports are desired, they can be secured by telegraph, the recipient paying the charges.

[2] It would, of course, be desirable to have all warehouses required to report the volume of their holdings monthly. Present figures include only such houses as will give the information voluntarily. The number who do this is steadily increasing but it has been a sore point with many traders in butter, eggs, and poultry, that certain of the great meat packers who engage in this line have refused to give data as to stocks held in their own coolers.

and sellers' estimates of values at the moment, together with mutual interchange of information as to stocks on hand, prospects, opinions, and intentions.[1] Now this is all very well if the existence of such uniformity of price and harmony of action as is observable in the butter, egg, and poultry market is due to the seeing of the same facts from the same vantage-point and the drawing therefrom of not substantially dissimilar conclusions, rather than to the existence of mechanical aids to monopolistic action. As a matter of fact, the Board makes a convenient place where fictitious or "wash" sales may be made and the prices so established given considerable prominence. Now that the butter business has passed so largely into the hands of a few strong interests, there is reason to believe that such price-making practices are resorted to. The Elgin Board of Trade is in a still more dubious position in this regard, since Elgin is no longer a *bona-fide* butter market, and the only reason that Chicago dealers should keep up the absurd practice of going out there each Saturday to go through the forms of a "call" would seem to be because it gives them some control over prices.[2]

Clearly, then, we cannot give credence to the notion that the Chicago dealers are market mandarins, possessed of autocratic power to make prices as they like. On the other hand, the market enterprises are distinctly not in a uni-

[1] To suppose that this price is invariably followed by the members is quite erroneous. They shade it in accordance with their own ideas of the probable trend of value or in response to any new influence which appears in the market after the call has been completed. Obviously, however, the estimate of values which comes out at the meeting of the Board will be the most reliable indicator of the supply-and-demand conditions existing in this market, and for that reason not to be lightly departed from. The fact that these two forces are brought sharply to a focus at this meeting of the principal dealers explains why it is that general prices conform very closely to the figures which emerge at the session, but does not indicate that there is anything arbitrary in the Board's methods.

[2] See footnote, p. 41.

form no-profit situation. If it be our ideal that the market shall perform its services at the bare cost of operation (paying mere wages, interest, and rent charges to those engaged in it), existing conditions must be adjudged unsatisfactory. For it is obvious that where frost, floods, droughts, and insect pests may effect serious damage to a crop in a very short space of time, and where factors as fickle as the public appetite or the volume of egg production are involved, there must be many vicissitudes of price relation yielding the possibility of chance profits to the dealer. But to suppose that these are artificially brought about by him or operate only to his advantage is to ignore the strength of the forces with which he works, the keen and extensive competition in the business, and the merchant's frequent losses.

However, what has been said about large-scale organizations (especially in the selling of fruit) raises the issue as to whether there is coming, or indeed already upon us, a species of marketing control which may wield monopolistic powers over prices. In this connection one must remember that the production of such wares is itself still unorganized and that market supply cannot be really controlled by any agency not possessed of the power to check production. Of course, every selling organization which has strength enough to enable it to render truly efficient distributive service seeks to maintain some control over price, and handles the stocks which come under its management in such a way as to offer them in the place where, and at the time when, they will command the highest price. One of the strongest of these selling agencies, — the much-praised California Fruit Growers' Exchange, — in order to get what it regards as an adequate price, sometimes holds back stocks until they are on the verge of spoiling on their hands. Shall we indict them for this effort to control prices or praise their service to the grower in securing him a profitable return?

It would, of course, be a clear case for public disapproval if they actually destroyed goods to hold up the market. And many people believe that just such action is a common practice of produce merchants in Chicago and elsewhere. Especially in the winter of 1916–17, stories of this kind were abundant in all the central markets. Many of the yarns were run down by interested individuals here and there and their utter groundlessness or their weird distortion of facts revealed. Finally, in Pittsburgh, the Chamber of Commerce undertook to make a thorough public investigation of the matter. After several months of study by a paid investigator, the holding of numerous public hearings to which any person might come and air his knowledge or suspicions of improper [1] destruction of food products, and the writing of thousands of letters to producers, shippers, and local business organizations, the committee reported that it was convinced "that the charge that large quantities of produce are allowed to decay and be dumped to keep up the prices is unfounded." Doubtless a similar investigation in Chicago would yield a like result. Mere logic and common sense can demonstrate the unlikelihood of such a practice. The commission man can far better afford to sell at even a low price and take a small commission than to enter upon a program of dumping goods, which involves the loss of his whole commission in exchange for the uncertain benefits of curtailing supplies. Many commission merchants would have to enter a conspiracy to act in concert if an appreciable effect were to be

[1] Every one familiar with the produce trade is aware that stocks of perishables every now and again spoil in transit, or, meeting with a slight demand at their destination, become unfit for food before a purchaser can be found. Such goods are thereupon condemned by the health authorities and dumped.

A real abuse (and one condemned within the trade as strongly as it is outside) arises from certain shady dealers who order goods and then, if the market goes against them, reject the shipment on some pretext when it arrives. Such goods frequently spoil while waiting for the settlement of the dispute or the finding of a new purchaser.

produced. But the dealer who owns the goods he is selling would risk still more if he were to undertake to manipulate prices upward by destroying his part of the supply. He would have to play a large and certain loss against future gains of uncertain magnitude. Profitable results could be assured from this highly dangerous procedure only in case a small number of very strong dealers had acquired a monopoly position in the market. And the present organization of the business does not put such power into the hands of any small group of willful men.[1]

Perhaps the final evidence whether the Chicago produce dealer is playing the rôle of an avaricious bandit or a servant upon a modest stipend is to be found by searching his pockets to see whether they are so stuffed with wealth as to indicate that he came by it improperly. The produce dealer scoffs at the idea that he secures abnormally large profits from his business, and points with pride to the fact that there has never been a large fortune amassed in the produce business of Chicago, whereas millions are made by the bankers, mail-order houses, meat packers, manufacturers, and department stores. This statement is substantially true; while no vast fortunes have been accumulated, many a tidy competence has been drawn from the business, but

[1] Early in the winter of 1917–18 there was much talk of potatoes and other products being allowed to freeze in the Chicago freight yards and then dumping them. Owing to unseasonable weather, considerable frosted stock was received, but the special investigator of the United States Department of Justice reported as follows: "Most of the talk about illegal destruction of vegetables is all bunk, the wastage existed only on paper. If any one can show me criminal intent in the matter, I would like to have him do so. My men have been unable to find any. I am getting sick and tired of all this publicity. It stirs the public up to fever heat over nothing.

"Nothing is more effective, if any one wishes to stir up discontent with conditions in our country, than the statement that good food is being willfully destroyed by selfish people for the purpose of holding up prices. But the Department of Justice is getting tired of this agitation. It is to be hoped if they cannot find any one guilty of the destruction of food, they will be able to find some people guilty of inciting to riot at a time when good-will and harmony are necessary for our success in war."

also the rate of failure has been somewhat high. If we attempt to contrast its gains with those made in other lines we must bear in mind that this is a business characterized by a high degree of hazard and also by the ease with which it may be entered. The risks of loss and the chance of gain from unexpected changes in demand or supply conditions make produce handling an enterprise quite different in character from the marketing of dry goods, lumber, or hardware. This speculative character of the business offers many allurements to the entrance of newcomers. The clerk goes into business as a car-lot peddler or broker, — his office under his hat and his store a freight car, — or he undertakes to do a jobbing business from hired desk-room, or rents a little space and secures goods on consignment. Such marginal operators prevent the rising of profits much above the level of cost of handling plus minimum salesman's wages. The pertinent question then is this: Is the reason that no large fortunes are accumulated due to the fact that no one has had the genius to organize it as the great factories and stores have been organized, securing thereby both a handsome return to the director of the enterprise and considerable saving to buyers? Of such a possibility, more in a later chapter.

Finally, there is a significant factor in the making of the actual prices which the producer or shipper receives, due to the dishonesty practiced by some produce merchants in accounting for sales and making returns. As the nature of its effect on prices is obvious and the issue is merely how to rid the trade of the practice, it will be discussed along with other proposed reforms.

CHAPTER IX

THE CHICAGO MUNICIPAL MARKETS COMMISSION

GOADED by constant complaints of her citizens as to the high cost of living, and inspired by the example of other cities, Chicago decided in the fall of 1913 to undertake a municipal investigation of her marketing facilities. The enterprise was launched by an order of the City Council, passed October 27, and reading as follows: —

WHEREAS, The increased cost of living is adding heavy burdens on the poorer classes in our city and on those least able to bear them; and

WHEREAS, investigation has shown that there is a great loss and economic waste in our system of handling foodstuffs in transition from the producer to the consumer; and

WHEREAS, Other cities in the United States are taking steps to eliminate this economic waste by the establishment of municipal markets and other agencies whereby the producer and the consumer are brought into closer contact with each other; therefore be it

ORDERED, By the City Council of the City of Chicago, that His Honor, the Mayor, be requested to appoint a commission to make a thorough study of this question and report its recommendations to this Council on the subject of municipal markets, warehouses, and other agencies of municipal service, such commission to be composed of three members of this Council, three representatives of social settlements, one in each division of the city, one representative of the Chicago Association of Commerce, one representative of the City Club of Chicago, one representative of the Woman's City Club, and one transportation engineer.

The Chicago Association of Commerce declined to name a representative, and the transportation engineer who was appointed withdrew after a short time, owing to the pressure of other interests. As organized for work the Commis-

sion, therefore, consisted of eight members; three aldermen, three social settlement workers, the secretary of the City Club, and a representative of the Woman's City Club. Mr. Frederick Rex, the City Reference Librarian, was also added as secretary of the Commission.

The method of work consisted mainly in holding a series of public hearings at the City Hall at irregular intervals, beginning November 21, 1913. Up to the time of making their first report, the Commission held fourteen such hearings, at which "representatives of the producers, transportation interests, commission men, wholesalers, jobbers, retailers, and consumers, especially adapted to furnish the Commission with information on the subjects under investigation" were invited to present their views and be interrogated by the Commission. "Opportunity was given to all to file with the Commission a written discussion of the situation containing plans, suggestions, and recommendations," and a questionnaire was sent out to a few other persons whose views it was thought would prove of value.

Public hearings of this sort are bound to take, at best, a rather meandering course, and it was a heterogeneous mass of material which the Commission garnered from these meetings,[1] and out of which they undertook to organize their report to the Council. It will be noted, however, that some guide-posts had been provided in the order by which the investigation had been authorized. For that was not merely an enabling act, setting on foot a scientific investigation of the facts of the city's market system. It went so far in marking out the direction of the inquiry and gave so broad a hint of probable findings, that it became virtually a prospectus of the report the Commission was to bring in.

The opening paragraphs of that report should be noted, as showing the cheerful acquiescence of the Commission in those assumptions which were evidently in the minds of

[1] Only about one half of the material was preserved, as no stenographic record was made of the hearings prior to January 14, 1914.

the framers of the Council order, and as well their tractability in working from the premises there laid down. They say: —

> The order passed by your honorable body creating the Commission lays great stress upon the great loss and economic waste entailed in our present system of handling food products and in the distribution of the same from the producer to the consumer, and gives this Commission power to inquire into the subject of municipal markets, warehouses, and other agencies of municipal service tending to bring the producer and consumer into closer contact. This order briefly demanded an inquiry into all the facts regarding rising of price levels of food products from the producer to the consumer; the number of handlings of commodities received in the course of distribution from the farm to the household of the consumer and the consideration of adequate market facilities as a means to eliminate waste and inefficiency.
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> In pursuing its inquiry, the Commission has endeavored to ascertain the main facts pertaining to the question under investigation. It has further aimed to outline the chief questions that are brought forth out of the relation of the several classes whose interests are involved in the solution of this problem, as well as to indicate certain essential principles by which a solution may be sought in an effort to find a workable adjustment of the several interests of these classes and to recommend a comprehensive policy which, in the light of the results of its investigation, seems to be most essential and in furtherance of the general welfare and prosperity of the community.[1]

We will not pause here to see what were these findings of fact or to examine their statement of "essential principles by which a solution may be sought." Such analysis can better be undertaken after we have completed a chronological survey of the Commission's labors.

What was called a "Preliminary Report" was prepared for presentation to the Council, and published as a fifty-four page pamphlet dated April 27, 1914. On the closing pages of this report the Commission sets forth its "comprehensive policy" of municipal control and regulation of the city's food supply by means of municipal markets, use of

[1] *Preliminary Report of the Municipal Markets Commission*, p. 6.

the surface and elevated railway system for the handling of food products, licensing and careful regulation of produce dealers by city authorities. The full text of their recommendations is as follows: —

1. Chicago's present market facilities are merely private trading centers where middlemen and speculators congregate. These markets, as now constituted, are entirely inadequate, insanitary, and extremely wasteful. The city should proceed to formulate plans and proposals for a comprehensive system of wholesale terminal markets under the control of the city, designed to render efficient and satisfactory service to the consuming public.

2. Retail markets should be established by the city whenever private retailers, by excessive and unreasonable prices or an unwholesome food supply, fail to render satisfactory service to the economically weaker part of the city's population.

3. Farmers' markets held in open or covered public places adjacent to centers of population should be established and in such other sections where bodies of consumers may apply for them. These farmers' markets should be made accessible to producers for the sale of articles of fresh garden truck and other staple commodities to the consumer direct.

4. Peddlers, hucksters, and push carts are an economic necessity and tend greatly to reduce the high cost of living to the people living in certain sections of the city. Vending of food supplies by these classes should be considered an established and legitimate business and, inasmuch as these classes are able to sell food products to the consumer at greatly reduced prices over the prices prevailing at the retail store, due to the low operating costs of the former, such business as conducted by peddlers, hucksters, and push cart men should be encouraged by the municipal authorities. It has been found that the quality of the food and merchandise sold from push carts in New York City is in the main of as good quality as can be bought anywhere else in the city, and much cheaper. Your Commission believes that a decided service will be rendered to certain classes of our citizenship by peddlers, hucksters, and push cart men and that their business should be subjected only to certain necessary sanitary and police regulations and such rules as may be required to prevent undue congestion of vehicle traffic in our streets.

5. Complaint has been made that scalpers have adopted a system of meeting the farmer on his way to the West Randolph

Street market in busy seasons at the city limits and purchasing his entire lot of produce. The scalper increases the price of the product at the market and the public has to pay the increased cost. The present ordinance limiting the use of the West Randolph Street market to producers alone should be rigidly enforced.

6. The market hours in the West Randolph Street market should be changed from the present prevailing hours of opening at 10 o'clock A.M. and closing at 2 P.M. from November 1 to May 1 and opening at 4 o'clock A.M. and closing at 10 o'clock A.M. from May 1 to November 1, so that the market hours during the entire year shall be from 4 A.M. until 5 P.M. daily, excepting Saturday, when the market hours shall be from 4 A.M. until 10.30 P.M.

It has been stated that a large number of consumers at present frequent the South Water Street and West Randolph Street markets daily, and especially on Saturdays, in order to make retail purchases of food supplies at the only places in the city of Chicago where the cost of food is presumably lowest, despite the present unfavorable conditions prevailing in these markets for the making of such purchases at retail.

These hours as recommended, it is believed, will cause the consumer to take an added interest in the public markets at present provided in the City of Chicago and enable him to buy on the markets at convenient hours.

7. An ordinance should be passed by the Chicago City Council requiring all persons, firms, or corporations in the city receiving farm produce of any kind for sale on commission to keep a complete record of the amount and kind of such produce received and of the sales made and the prices received, together with the dates of the receipts and sales and the names and addresses of the shipper and purchaser, and that this record shall be open to the inspection of the shipper or the consignor of commodities and to official inspection by the city. Commission merchants should also be required to take out a license from the proper city department and to give adequate bonds of surety for the faithful performance of their work and the sanitary operation of their places of business. Should it be shown that any person doing a commission business in the city has been guilty of fraud, deceit, unlawful practices, or conducts his business of handling food supplies in an insanitary manner, provision should be made in the ordinance for the revocation of the license so that such person can no longer carry on a commission business in the city of

Chicago. This will serve as an ample protection to the producer and the consumer and will require commission men to deal fairly with both.

8. A city tribunal should be created in the recently established Department of Public Welfare, before which any person may lay a complaint of injustice or unfair treatment incurred in the distribution of food supplies. Such tribunal could investigate all charges made against producers, wholesalers, and retailers and will be of invaluable service in investigating any charges that may be made relative to corners in food supplies, combinations in restraint of trade, storage of surplus products by jobbers and other agencies, and extortionate prices.

9. In order to give the producer direct access to the markets of the city and to furnish the Chicago consumer with fresher and a more varied allotment of farm products, trolley freight service should be placed in operation over the present existing street railway lines, and the interurban street railways should be given direct access to the city markets and to such other points in the city convenient to the consuming public for the delivery of fruits, vegetables, and dairy products. The rapid and easy access to the new markets achieved by the establishment of street railway freight service to and from the city will encourage production, and the vast amount of land near the city of Chicago at present undeveloped will be divided into small truck, poultry, dairy, and fruit farms. The time has arrived when our urban and interurban street railways should be operated for the benefit of the community in shortening the route between the producer of farm products and the consumer. The carrying of freight by the street railway lines inside the city limits, however, should not be permitted to interfere with the proper handling of passenger traffic. Such freight cars should be operating during the hours when the passenger service is at a minimum and practically at a standstill and they should be kept out of the congested district of the city. Freight handled by the interurban railways could be carried over the Chicago street railways between the hours of 11 P.M. and 5 A.M. without inconvenience to the public. By permitting our street cars to carry freight during the night, street congestion in the day time will be lessened to a large extent by the elimination of a large amount of hauling by teams.

10. It is the sense of the Commission that no private movement for the establishment of improved market facilities in Chicago should be conducted separately from the action contemplated by the city at this time through the investigation be-

ing conducted at present by this Commission. It is believed that no reliable decision conducive to the general public welfare can be made by the classes most directly interested in exploiting a private wholesale terminal market for their own benefit. The strategic point to the city upon which the control of its food supply is pivoted is the wholesale terminal market. The entire project under way by the South Water Street merchants for the establishment of such private wholesale terminal market should be held in abeyance pending a careful, adequate, and expert inquiry to be made by the Citizens' Terminal Plan Committee of the City of Chicago, the Chicago Plan Commission, and the Chicago Municipal Markets Commission for the purpose of devising comprehensive plans and proposals which will serve the future growth and development of the city as a whole and further the best interest of the community.

11. It is the sense of this Commission that your Honorable Body grant permission for the continuance of its work for the ensuing Council year for the purpose of making a complete and final report on the subject of municipal markets and their proper location in the City of Chicago, and other agencies tending to bring the producer and the consumer into closer contact.

The suggestion contained in the closing article was favorably acted upon by the new Council, and the life of the Commission was extended for another year. Meetings were resumed, and the question of number, location, and character of markets which should be established by the city was taken up. Attempts were made to secure the assistance of the Terminal Plan Commission (which was supposed to be evolving a complete railway terminal plan for the city), in order that the wholesale terminal market or markets might be made an integral part of the larger plan. Practically no response could be secured from them, however, and discussions drifted off to vague and ambitious projects for the relief of poverty, the building of municipal ice plants, and the like.

Then the outbreak of the European war brought a sudden jump in the prices of food products, and raised a popular clamor against every one who was supposed to have had any part in making the advance. The Commission had

said in their report of April 27, "It is well within the province of the city and State to protect its citizens from the anti-social depredations of those who exploit the necessities of their fellow-men to their private advantage and gain"; and they evidently felt that the situation at the beginning of August, 1914, called for such action. Accordingly, they called upon the acting Corporation Counsel for an opinion as to how far the city might go, under the law, in the direction of regulating the prices which might be charged by dealers in food products. He gave them little encouragement as to the direct fixing of prices by the city, but suggested that certain practices which were monopolistic or speculative in their character might be put under the ban.

At the request of the Commission the acting Corporation Counsel drafted an ordinance to this effect, entitled "An ordinance to prevent and punish forestalling and regrating," and another "Licensing and regulating commission merchants, jobbers, and brokers in farm produce and foodstuffs." A special meeting of the City Council was called for August 24, 1914, for the consideration of these two ordinances. The former was unanimously passed.[1] The latter was referred to the Committee on Judiciary, whence it was never reported to the Council.

At the same session of the Council it was ordered "that the Municipal Markets Commission be and it hereby is directed to prepare as soon as possible a practical plan for dealing with destitution and unemployment resulting from war conditions of trade and war prices." As a result, their labors from that time on till the presenting of their second report (December 21, 1914) were devoted largely to the problem of the city's unemployed. However, "war prices" gave a new insistence to the demand for municipal markets and forced the Commission to take some action at once. Accordingly, they arranged for the opening of a producers'

[1] The full text of this ordinance may be found in Appendix E.

market in the heart of the West Side tenement district. For this purpose the Board of Education granted the use of the Goldsmith School site, no longer utilized for school purposes, and located on Maxwell Street adjoining the peddlers' market.

On September 24, at six o'clock in the morning, this yard was thrown open to the public, as a place for producers and consumers to meet and trade. No rental was charged for space, and producers were urged to avail themselves of this opportunity to sell their goods directly. Their response was very feeble. At once the cry was raised that the commission men and jobbers were keeping growers away — even a wild canard about a farmer's load of vegetables being destroyed one night on his way to market. There is not the slightest evidence that any restraint was attempted. Two facts seem quite adequate to explain what happened (or failed to happen) at the municipal market. In the first place, it was already late in the season, and the flow of local produce was rapidly falling off. Such farmers and truck-growers as were coming to market found plenty of room and an adequate demand at their old stand on Randolph Street, without the need of trying experiments in a new field. In the second place, the residents of the Maxwell Street neighborhood are of the low-price, hard-bargaining sort who buy in small quantities and set a higher value on pennies saved than on time lost. This is a business sphere proper to the peddler rather than the farmer or gardener, who has work waiting at home for his attention.

In spite of the low vitality shown by this first-born of the municipal markets, requests — even demands — continued to come in from residents of other sections of the city. These persons evinced a touching faith that the mere erection of a canvas tent on an empty lot, if done by municipal authority, would magically bring to them daily supplies of cheap produce. This in spite of the fact that it was fast

drawing on to the edge of winter.[1] No other market, however, was opened.

It was the feeling of the Commission that there are several strategic points in the city where municipal markets might wisely be located. These would be at carefully chosen points on the natural highways of traffic by which local produce moves to the Chicago market. At present such food products are hauled in the grower's wagon to the Randolph or other downtown market, and then back to the retail store, in the grocer's cart, expressman's wagon, or motor delivery truck. It was thought that by experiment there could be found a number of locations at which these supplies could be halted and brought directly to the consumer's hand through the agency of a municipal market.

The inquiries of the Commission quite clearly show that at least two such points were indicated by the present flow of the trade. One of these is to be found in the vicinity of Sixty-Third and Halsted Streets, seven miles nearer to the growers located south of the city than are the downtown markets. The other is at the junction of Elston and Belmont Avenues, four miles out on the Northwest Side, where the greatest truck-growing section is located. Both these locations are in the midst of populous sections, whose residents are of a class which would appreciate an opportunity of saving on their purchases, and would undoubtedly avail themselves of such a market.

As has been indicated, the year was too far spent and the demands of the unemployment investigation too pressing to permit the working-out of these plans. One project, however, did come up at the eleventh hour and was rapidly pushed through to action. The residents of South Chicago, or that portion of it embraced in the Ninth Ward, appeared before the Commission on November 10. Their delegation consisted of the representatives of a large number of local civic and municipal organizations, and entered

[1] Hearings of the Commission, October 14, 1914.

a strong plea for a municipal market to serve the needs of their community, which is to a considerable extent detached from the rest of the city. This deputation had a well-formulated plan for the erection of a market-house at Ninety-Second Street and Harbor Avenue. This site lies adjacent to the Rock Island and Belt Line tracks, the city pier, and the Calumet River.

The Commission acted favorably on the suggestion, the City Architect prepared plans for a market-house 49 by 145 feet in size, containing one story and basement, and providing twenty-five stalls for dealers. An appropriation of $25,000 for the erection of this building was granted by the City Council and included in the budget passed in January, 1915; work was commenced in March, and it was expected that the market would be opened some time in June. However, work was brought to a standstill by the strike of carpenters early in May, and the building was not completed until fall. Since then it has stood idle.[1]

Turning now from the mere history of Chicago's first municipal marketing commission (whose existence ended April 12, 1915, with the passing of the Council which had created it), some attention may well be given to an examination of the policy which they advocated and the measures by which they sought to put that policy into practical operation. The discussion naturally divides itself under three heads: first, the Commission's analysis of existing arrangements; second, their formulation of principles of reform; and third, the concrete plan for an adequate marketing system.

1. The analysis of existing arrangements is a philippic hurled unrestrainedly at all that now is. No attempt is made to see how the present organization has come about, or to what extent it does meet the needs of the trade out of which it has evolved. The intemperate assertion, that

[1] See note p. 93. The reasons for the failure of this project are discussed on pp. 185, 186.

"the markets of Chicago as at present constituted fail to answer every purpose for which they were created," overshoots the mark, even though we admit that there are serious defects in the city's present marketing arrangements.

Such defects might be classed as physical and institutional, the first group including matters of location and equipment for the actual handling of goods, and the latter referring to the business organization by which the marketing operations are carried on. As to the physical aspects of the market, the criticism of the Commission touches the obvious fact that no produce market in Chicago has direct contact with either rail or water transportation facilities. There is a serious "lack of proper buildings, warehouses, terminals, and other facilities. Chicago, by nature, should be the cheapest and most accessible market, but on account of the wasteful and antiquated method obtaining at its railroad terminals, its efficiency as such market is greatly impaired. The expense of team hauling between the terminal and the store of the wholesaler or retailer is added to the cost of the commodity and its selling price increased in proportion. Elimination of useless team hauling of provisions is a prime necessity both for the reduction of their cost to the consumer and to conserve the quality of the products." [1]

As to what would constitute a desirable or satisfactory location, the Commission's discussion runs in terms of nearness to rail and water transportation for wholesale markets, and nearness to consumers and accessibility to producers in the case of retail markets. Details are left to a more thorough investigation. As to equipment, the present quarters are denounced as unsanitary, but nothing is said of the cost of doing business in separate stores, with no tramway system and only crude refrigeration, as compared with conditions in a modern building or group of build-

[1] This quotation is gleaned from pages 11, 19, and 20 of the *Report*.

ings constructed especially to meet the needs of the produce business.

The principal stress of the Commission's recommendations for improving equipment falls upon the desirability of developing electric interurban and city surface and elevated lines, as a means of distributing produce from wholesale terminals to retail centers, and also of bringing supplies from the country to the city market. This is significant of the great importance attached by the Commission to local sources of supply, and deserves attention because the same point of view is characteristic of many parts of the discussion. As a matter of fact, however, "home-grown" produce makes up only an insignificant fraction of the whole amount which is marketed in Chicago. There are serious impediments in the way of the sort of house-to-house service which the Commission has in mind,[1] but even if the trolley freight and express service were to be developed on all the electric lines connecting with the city system, no very great enlargement of the business would be likely to result.

The reasons for this are evident if we stop to analyze the situation, and it is perhaps most clearly brought out if comparison be made with conditions elsewhere. We may notice the case of Philadelphia, where the trolley-freight idea has been developed in considerable detail. There we find a city located in the midst of an important truck- and fruit-growing section, well served by electric interurban lines. There is every inducement for

[1] There is very little of the roadside electric line around Chicago — the kind that runs through an agricultural community and stops at every farmer's gate. Much of the course of our interurbans is through industrial and suburban residence districts, and the tendency is for them to have their own right-of-way and stop only at regular stations. Present franchise arrangements exclude them entirely from bringing freight to the downtown district and admit them to outlying sections to only a very limited extent. The attempt to carry freight over the surface lines (even during the night hours) would vacate a large part of the frontage permits.

a city so situated to utilize to the greatest extent possible the productive resources of its immediate neighborhood for as long a part of the season as possible, and to take advantage of the already well-developed trolley system to supplement rail and water means of transportation. To the north of Philadelphia lies a great industrial region, city-dotted and quite unable to supply its own needs for food supplies. To the westward agricultural lands are hard ridden by manufacturing and mining industries. A natural barrier lies between the seaboard and the great agricultural resources of the West, and a section like eastern Pennsylvania and Maryland, New Jersey, and Delaware finds its natural lines of economic advantage in developing its produce resources intensively before resorting to distant sources of supply.

The case of Chicago is far otherwise. Land in the immediate vicinity of the city is, much of it, quite inferior for the growing of fruit and vegetables. Farther out, where good farming land is found, it is devoted with a high degree of specialization to the production of market milk. It is necessary that the city's milk supply be secured within the narrowest radius possible. Fruit and vegetables can be brought from a considerable distance, and the specialization and large-scale character of these distant producing centers enable them to put their goods on the Chicago market often below the local cost of production. On both price and quality Minnesota can beat northern Illinois in the Chicago potato market. Eggs from Kansas and Missouri farmers, turkeys from Texas, and broilers from Tennessee, can be laid down in the city at a figure too low to leave any great stimulus to poultry-raising in Cook, Lake, or DuPage Counties.

No doubt local growing of produce would be encouraged by cheap trolley service, but that the amount of probable increase would be sufficient to make local supplies a significant factor in the price-making process is not

at all likely in view of the situation as a whole. In terms of feeding a city of the size of Chicago and of exporting by the train-load to other places, the package freight that would be brought in over our few electric lines is insignificant. Such transportation charges can hardly be reduced to the level of car-lot rates from points even hundreds of miles farther away, whereas the value of home produce is generally lower. This is due to the fact that near-by supplies come to market only when "in season" and are thus unable to command a fancy price; fruits and vegetables from distant sources sell at a premium because of superior quality or because out of season. Owing to Chicago's position at the center of a great transportation system, its produce trade is organized, not on a regional, self-sufficing basis, but on principles of specialization over a wide area embracing all sorts of complementary advantages.[1]

But, aside from this particular phase of the transportation problem, the Commission are much less concerned about the facilities for handling the business than they are as to the selling methods which are in vogue. On the subject of the business organization of the market, they strike out with a wide and slashing stroke. Whether as the logical conclusion of their official investigations or as the outcome of the members' previous impressions and beliefs, they return a true bill on all the indictments that have been brought against the existing system.

Due largely to the unorganized state of the producer and the consumer and the lack of adequate market facilities, there have grown up in cities a class of men who have taken upon themselves the burden of food distribution. There are at present altogether too many men and too much machinery involved to

[1] It might also be added that there is a strong growth of the suburban market. Such towns are practically contiguous for a distance of eighteen or twenty miles out from the city along both steam and electric lines and offer the best market for a large amount of such produce as is grown locally.

conduct this distribution economically. The attitude of the producer toward the commission men is one of suspicion. Where the producer does not openly charge dishonesty, he greatly doubts their business efficiency. The producer now has no way of reaching the consumer directly except by peddling his produce from house to house, which he is averse to doing.[1] He sells it to middlemen, who distribute to the consumer with their profits and expenses added. Speculation gives rise to certain abuses such as monopoly, market cornering, oppression, and combination in restraint of trade. It is not the purpose to blame the middlemen as such. They are but the result of a system of distribution which is exceedingly faulty, imperfect, and wasteful.

The case for the costliness of existing methods of carrying on the produce business is made to rest upon the very slender basis of statistics furnished by producers', wholesalers', and retailers' prices on a dozen articles (and a very dubious selection at that) during a single week in February, 1914. The figures showing an increase of 16.6 per cent in consumer's price over that received by the producer in the case of eggs and of 36.6 per cent in the case of potatoes give us typical and significant charges. But the mere fact that if the farmer sells two bushels of carrots for a dollar and the retailer gets five cents a pound for them, the increase figures out as 566.6 per cent, is by no means a suitable test of our market's efficiency. And to derive from nine such price comparisons an average marketing cost of 225.6 per cent is simply a travesty on the statistical method.

Nor is there less of the hectic quality in their explanation of the manner in which prices are brought about. Their reference to speculation, "monopoly, market cornering, oppression, and combinations in restraint of trade," has already been quoted. At a later point in their discussion a chapter on "Prices and Price-Fixing" lays down

[1] If the Commission had stopped right here to analyze the reasons for this aversion, they would have got a much more adequate notion of the cost and the value of the middleman's service.

the proposition that the "methods pursued in fixing prices in Chicago for various classes of farm products are arbitrary and are determined apparently by individuals and certain small groups of persons." Since the evidence offered in support of this sweeping dictum refers only to the practices of the Butter and Egg Board, the Live Poultry Board, and the speculative dealers in cold-storage butter and eggs, the reader may judge from what has been said in the preceding chapter whether the Commission's stand was well taken.[1]

2. In the second place, the Commission had indicated that it would set forth "certain essential principles by which a solution may be sought." These principles are nowhere set out in any formal statement, but it becomes quite clear that the Commission rests its case upon two propositions, as follows: —

(*a*) The way to reduce costs and eliminate abuses is to bring the producer and the consumer together as directly as possible, eliminating the middleman.

(*b*) The municipality should undertake the reorganization of the market on a single comprehensive plan, and subsequently regulate and supervise its operation.

The first of these propositions hits the bulls'-eye of the whole rural marketing problem. We are bound to en-

[1] The expression "official price bulletin" used in the *Report* in immediate connection with the Poultry Board is distinctly misleading. The *Daily Trade Bulletin* is not the official organ of that or any other organization, nor is it even true that an "official" quotation is published by it. The reporters of this daily price-current travel through the market every morning, talk to dealers, observe actual sales, and learn what transpired "on the Board." From the mass of information thus collected, the editor of the *Bulletin* endeavors to deduce a reliable conclusion as to the proper quotation of the market. He publishes from twenty to thirty poultry prices, whereas only two or three are made at the session of the Board. On many of these he gives not a single figure, but a range of price, generally of a half-cent to two cents a pound, but sometimes as much as ten cents in the case of early broilers or the like.

dorse the Commission's declaration that every unnecessary middleman should be eliminated. But there is plenty of ground for honest difference of opinion as to what constitutes a tenable standard of necessity, and what is in reality the cheapest route between the producer and the consumer.

As has been mentioned before, the Commission seems to be thinking too much in terms of home-grown products, where there is a possibility of the grower bringing his own goods to the consumer's house or, more likely, to a public market where consumers gather. Still, even here it is not a self-evident proposition that goods will be cheaper and the farmer more prosperous if he divides his energies between being a farmer and essaying the rôle of merchant. Near-by truck-growers long since gave up the tedious process of peddling their goods from house to house. Now they often find it to their advantage to sell wholesale to men who make a business of wagon-jobbing, rather than to spend their own time on the market.[1] The wisdom of an ordinance aimed against this practice may well be doubted. In fact, it may be hazarded that the "scalper," whom the Commission hopes to drive out, has proved his usefulness and will succeed in establishing himself in the system. When he gets himself a motor truck and enlarges his field of operations, it seems quite clear that he will be able still further to reduce the cost of handling the business. Whenever the middleman furnishes the cheapest method of getting goods from producer to consumer, it would seem proper to class him as necessary.

Study of the evolution of the present system of handling the produce business shows that many of the middlemen now condemned as unnecessary were added to the older, shorter system just because of the fact that they were able to effect a saving at some stage of the process.

[1] We should bear in mind that the time at which the farmer's produce must be sold comes just when he is busiest with farm work.

Just as we have developed more and more minute division of labor in other lines of activity, dividing up a single trade into a dozen or a score of separate, specialized processes, so has the business of produce marketing passed from the farmer into the hands of an elaborately organized series of market specialists. In a certain produce trade paper the following advertisement regularly appears: "BUTTER PRINTED for the trade of New York and vicinity. . . . 174 Duane Street, New York." What does it mean? Simply that another step has been differentiated in the process of handling butter, not to add to the cost of doing the business and therefore to the price of the product, but to lower the expense by having the work done by more efficient labor and better machinery. In a similar way the appearance of the "truck jobber" between the store jobber and the retailer came about only because it presented an opportunity of lowering costs of operation even though adding a new name to the roll of middlemen. The grocer used to go in person to market, buy his goods, and cart them back to his store. That was a direct way of getting the thing done, but very expensive. The new middleman buys goods on the market on his own account (though in part, at least, on the grocer's order), loads several tons of this produce on his motor truck, and distributes it in surprisingly short time to the retailers — possibly thirty or forty different ones — who are his customers. Here is one more man and one more profit, but lowered cost and more efficient handling of the business. To eliminate this middleman would not eliminate his portion of the total retail price, but compel a resort to the costlier former method.

There is not space here to go fully into this issue, but it seems fairly clear that there are grounds on which exception might be taken to the Commission's "principle" that the way to lower prices is to do away with the middleman. Even admitting those undeniable abuses which

exist in the present system, it is evident that, although we drive the middleman out of the market, his function is still to be performed by some agency or other. The fair ideals of so-called "direct-marketing" methods strike limiting realities in the inability or unwillingness of the consumer to go to the source of production, and similar restraints upon the producer in coming to the ultimate user of his goods. The far-away selling of produce to-day cannot be organized upon the pattern of the neighborhood vending of a simpler past. In spite of the marked success that has attended the coöperative work of producers' associations, we should not rush to the conclusion that they are shortly to take over the whole of the task of marketing. What they have done so far has been largely in the way of completing the work of producing, that is, putting their goods in finished shape, sorted and packed in proper condition to go on the market. Only where the business is of large bulk and the period of marketing covers a considerable portion of the year does it appear feasible for them to effect a permanent marketing organization and connection which will be able to compete on equal terms with the present market organization, and enable them to employ a staff of the necessary experts.

The second principle that the Commission laid down was to the effect that the regulation of the city's food supply was properly a municipal function. For the exercise of this function they propose to reorganize the whole market system on an "aggressive and comprehensive plan," and to secure local ordinances and State laws for the regulation of the business. Before noticing the details of this concrete plan, a word may be hazarded on the abstract proposition that all this should be made a municipal enterprise.

It appears to be strongly the tendency to-day to give comparatively little weight to merely theoretical determinations of what is the "proper scope" or sphere of

governmental activity. We are demanding results; and if we are convinced that a larger measure of welfare is secured through state action, we are not much worried by dialectic assaults upon the method. There still remains the question — to be carefully watched — what it is that makes us sure that the action of government is more efficacious than private agencies. Our impatience sometimes makes us tear away from the slow evolution of voluntary regulation to set up an ideal picture, in the form of legislation, of what we want to see accomplished. But the passing of laws does not of itself bring about their fulfillment; and the drafting of an aggressive and comprehensive market plan does not guarantee that the people who are supposed to coöperate with this plan will in fact behave as the scheme contemplates. Will growers ship wisely and deal honorably? Will housewives go to market and purchase rationally? Will buyers pay cash or always meet their bills?

The Commission bases its confidence of success upon the experience of other cities in the United States in such enterprises, and still more upon what has been done in Europe. It is doubtful whether any of this data is strictly comparable. European conditions differ materially from those in the United States. There the farmer is working under peasant conditions under which he must make long hours of labor and an infinite attention to small details add the last *sou* to his meager income. Having drudged to raise his crop largely by hand work, under an intensity of cultivation which puts his labor income far down the scale of diminishing returns, he finds the added gains which he can secure by selling his wares at retail on the public market decidedly a better rate of return than he can secure from the application of this additional effort upon his farm. This is all the more true when, as is commonly the case, he uses for this market purpose a grade of labor which would be relatively less efficient or less available

for use at regular farm work. The women and children can sell produce in the market quite as well as the farmer himself, and can profitably fill the slack time with knitting or other work.

American conditions present an entirely different situation. The producer is ordinarily in a position to secure increased returns by enlarging the scale of his operations, with horse labor, machine methods, and specialized efficiency. Instead of seeking to enlarge his profits by sending his wife to the public market, he gets a labor-saving machine or makes a more skillful use of commercial fertilizers. If he does decide to divide his attention at all with the marketing phases of the business, he wants a first-class team or a good motor truck so that he can get to market quickly with a big load of goods and get back promptly to the work of his farm. The retailer's margin he is ready to leave to those whose business is located in town. He has been reared in a different school from that of the European peasant and has neither liking nor aptitude for petty bargaining. Nor will Chicago housewives go to the market as Europeans do.

Likewise, what has happened at Madison, Wisconsin; Des Moines, Iowa; or Indianapolis, Indiana, will not necessarily be repeated in Chicago. Their public markets are less ambitious projects than that contemplated by the Chicago Commission, and differences in the size of the cities and in the nearness and adequacy of the local producing region is a significant factor. New York City, whose problem is quite similar to that of Chicago, embarked upon an extensive movement under state and municipal auspices two years ago, but has accomplished only negligible results.

Even though one be soberly impressed with the fact that in a city as large as Chicago there may be a needful and proper function for the city government to perform in the way of unifying the divergent and sometimes war-

ring interests of different sections, or to remove impediments to free movement of the trade along lines of greatest advantage, there seems in the Commission's report a tone of over-confidence in the ability of municipal authorities, not particularly conversant with the character of the special business, to adjust and perfect with some touch of magic denied to the men who have spent their lives developing the present market organization. This is not to ascribe impossible virtue to the men of the market, who are very human scramblers after business income. But it does raise the question of general policy as to whether the city should undertake the marketing business itself or simply readjust the existing system at points where it finds the public interest not adequately protected.

Particular cause of disquietude is to be found in what appears to be a fundamental assumption of the Commission's thinking on this issue. They seem to follow the theory that some sort of magic power resides in agencies of government, whereby they are enabled to carry great projects into effect without burdening the people, or with a burden less than that entailed by private enterprise. They say: —

> All costs incurred by the South Water Street merchants in the construction and establishment of their proposed new produce depot will eventually have to be borne by the consumer. If these private interests should succeed in their plans without the coöperation of the city, any saving which may be effected by the elimination of excessive handling, hauling, and lower distribution costs, due to any investment made by them in market equipment, will redound to their private advantage and profit.[1]

And elsewhere: —

> Wholesale terminal markets would afford a place to which the producer can ship direct, would furnish adequate refrigeration, warehousing, and cold storage facilities, provide for the

[1] *Preliminary Report*, p. 53.

sanitary handling of food-stuffs, and make the control and supervision of the city's food supply a municipal function. The farmers would thus be furnished with a conspicuous, central market place in the City of Chicago, with proper facilities, to which they can ship. The risks now borne by wholesalers would, in consequence, be decreased considerably and it is natural to suppose that the commissions and profits now realized by the commission merchant and jobber would show a corresponding reduction.[1]

This argument appears to be underlain by the naïve assumption that if the marketing facilities are constructed at city expense, the costs incurred would not "eventually have to be borne by the consumer." If such costs are to be raised by taxation, the burden would be somewhat redistributed, but borne by consumers as a class. This is not the Commission's expectation, however. They expect that the system will be self-supporting. The question then arises: How are the savings to be applied to reducing prices to the consumer? The first quotation above shows the advantage of keeping our cake, while the second one promises us the fun of eating it also. That municipal markets will give us both enjoyments simultaneously is to be doubted.

3. The last main division of the Commission's work consists in the drawing-up of a practical program for the construction and equipment of a marketing system and the legislation necessary for its operation and control. First and foremost in this plan, wholesale terminal markets are advocated, and a very good though brief outline is given of what such a market should be. Here, as elsewhere, the Commission entertains high hopes of the possibility of bringing producers and consumers into actual contact or very direct relations to one another. Such markets "would furnish a direct marketing base, where the producer, or coöperative body composed of producers, can meet the consumer, or coöperative body com-

[1] *Preliminary Report*, p. 51.

posed of consumers, in direct buying and selling, thus eliminating every unnecessary factor in the distinctive process."

Reference has already been made to the fact that there are discernible limits to the field of selling operations which it may prove expedient for even the coöperative association of growers to attempt to cover. The remaining gap in the proposed scheme is not to be filled by commission men and jobbers, but is to be bridged by the disinterested services of a public auctioneer. A very limited number of articles of produce are now sold at auction, notably citrus fruits, apples, and a few other western deciduous fruits. The Commission boldly expands this into a general method of handling all kinds of produce. This is in spite of the fact that experiments in the way of extending auction dealing have not generally been successful. The opinion of expert marketmen is against it, and the most recent considerable attempt (The Live Poultry Auction Company in New York City) was given up in March, 1915.[1]

However that may be, they argue that auctions would check "private manipulation of prices by a few" and "benefit the producer, who will receive the full value of his shipment as such value is made in the open market by competitive bid." This proposition placidly overlooks the fact that the auction method (assuming that it is practicable) gives full sweep to the very forces which at present are one of the chief sources of the producer's woe. It is just when he has no recourse but to accept the "value made in the open market by competitive bid" that he is most badly bitten in his returns. It is when goods are dumped into Chicago on consignment that a redundant supply must be sold willy-nilly to the languid few who are willing to offer even transportation charges. The Com-

[1] A strenuous effort to establish auction dealing in butter and eggs by some of the same people had been abandoned some time before.

mission predicates "a steady supply, no storage, no commission charges, and no unnecessary handling"; but it is the very fact of being willing to handle again, to store until a better selling market can be secured, to organize operations so as to equalize supply, that the jobber is instrumental in securing better remuneration for the grower. It may be hazarded that public produce auctions would offer the finest chance for food speculation that the mind of man could devise. The speculator would have merely to keep a watchful eye out for those times when bad weather conditions, bad judgment, or any one of the many vicissitudes of the business brings about a collapse of price. He could then buy for less than he would have paid as a regular legitimate jobber, store the goods, reship them to another market, or distribute to the local trade.

It might be urged that the ordinance passed in August, 1916, to prevent regrating would render such a practice impossible. Even on the heroic assumption that that law would work in practice, what would be the gain from applying it? What shall it profit a man if he stop the professional dealer from making a profit on his goods, if, as a result, he have the goods left to spoil on his hands or to depress the market still further on the following day? As a matter of fact, what is our whole merchandizing system, whether of produce or of any other class of goods, but speculative buying for sale at advanced prices? Whenever the method of reselling is designed to protect the value of the investment so made, it would appear to be "artificially enhancing the market value of the same," and therefore to be criminal. Here we touch the whole great question of "reasonable restraints of trade," "right price," "improper control of the market," and the like questions of social adjustment which are the theme of our most serious economic discussions to-day. We shall not cut adrift upon that sea; but it may be pointedly asked

of the producer of fruit and vegetables whether in reality he is so certain that he wishes to drive from the produce business all forces that make for "price maintenance," or whether one prime object of his coöperative associations would not be so to control supply as to effect a price equation which would be to his advantage.

The best part of the Commission's recommendations is that which deals with the establishment of "farmers' markets held in open or covered places adjacent to centers of population." This would be an entirely practical field of activity, involving little expense to the city and benefiting a large number of her poorer citizens. Within that comparatively small part of the business supplied by local growers, it would likewise benefit the producer by shortening his haul to market and putting him within reach of a larger demand for his wares. In the main it will merely extend to this class a somewhat more liberal use of the public streets and squares, following out the practice already so successfully established on West Randolph and Maxwell Streets and at State and Seventy-first. Since no private agency would be in a position to erect sheds or other necessary housing facilities on such property, it is eminently fitting that the city should do so.

The building of a market-house at South Chicago goes about as far as a single venture could toward justifying a public doubt of the business astuteness of the Commission and of their grasp of the problem on which they were working.[1] No adequate study of the needs of the section and the possibilities of a market located at the particular point chosen was ever made. The whole matter was whipped up in a hurry by two or three local organizations who found in their alderman (who was about to be a candidate for reëlection) a vigorous spokesman before the Commission. The precise location of the building was dictated by the unlucky fact that the city happened to

[1] The episode of the Goldsmith School was not less ill-starred.

be the owner of a vacant lot at that point. After the market-house had been completed and efforts were made to persuade dealers to occupy its stalls, it became painfully evident that the practical men who made a business of selling produce regarded this as an utterly impossible location. To the north it is flanked by the quarters of a fire-boat company. Beyond this, vacant land stretches away to the steel mills. On the south, along the Calumet River, there is a similar non-residence territory partly filled by storage yards, private docks, and the other accouterments of a desultory shipping interest. Eastward the river and about a half-mile of mill district separate the market site from the homes of the people. To the northwest and southwest there is a considerable population of steel-mill operatives, but between them and the market lie several lines of surface railway tracks. This is a considerable barrier to mothers who must be accompanied to market by a baby or two or who must send an older child alone to make the day's purchases. Likewise, pushed aside to the very edge of the city, the would-be market is to the last degree remote from sources of supply, whether from the downtown markets or from local producers. If this may be taken as a sample of the methods which would be followed by a permanent market department in "establishing a comprehensive system of municipal markets," and of the foresight and economy with which they would administer the large funds which would need to be entrusted to their care in that connection, we may better resign ourselves to the somewhat imperfect results we get under private enterprise [1] than to fly to ills we know a little of as a result of this spasm of municipal activity.[2]

[1] What reform may be expected from within the trade itself will be discussed in the following chapter.

[2] Perhaps it might be argued that the South Chicago market failed simply because it did not have the fostering care which was needed in the days of its helpless infancy. The writer believes that it suffered from congenital defects beyond all human power of remedy, but, at that,

The Commission's program of legislation (besides the regrating ordinance already discussed) included a system of licensing and bonding all commission merchants and the establishing of a special tribunal for the investigation and punishment of " injustice and unfair treatment in the distribution of food supplies." The general argument underlying both proposals is essentially the same, namely, that present judicial machinery is not adequate to cope with the peculiar and devious wickedness of this one class of the business community. Since the particular abuses singled out for the special attention of this tribunal are already subject to investigation by federal and state authorities, it is not altogether evident that the proposed elaboration of the city judicial machinery is necessary. Similarly, it may be pointed out that the dishonest practices aimed at in the proposal to require a license and bond of all commission men are already punishable under the criminal statutes of the state. Those opposed to a licensing law argue that it is better to enforce the laws we have than to pass others aimed at the same results. It is further complained that a city license puts every one on the dead level, the old house of established reputation no better than the rawest recruit who has been able to squeeze under the requirements for a license. One stamp of the license clerk makes the whole trade one so far as the distant shipper can see, and throws the responsibility off

it has had the added curse of a foundling's life thus far. In the absence of a market department in the city government, this market fell under the casual ministrations of the City Auditor's office, though the City Statistician (by reason of his having been a member of the original Commission) continued to occupy a position of ineffectual and left-handed paternity over it. In the second year of its life it was "wished off" on the City Sealer in the hope that he might succeed in interesting dealers in the proposition and starting it out on a career of usefulness. After a few weeks of fruitless effort to get some one to adopt it, the City Sealer smuggled the foundling back to the chilly doorstep of the Auditor's office. The best he could do was to find a half-dozen merchants who would take stalls at a nominal rental in case all the other stalls were rented, so that the market would open at full blast. This proved impossible.

the shoulders of the parties to the transaction on to some "benevolent grandmother" agency at the state capital. Laws of this kind have been put on the books in some half-dozen of our states, and recovery has been made from the bonding company in several cases in the State of New York. Whether the size of the bond can be made large enough to furnish real protection without at the same time entailing a heavy burden of expense on the business, which must ultimately react on prices, is not certain as yet. But it seems fairly evident that a clever scamp might hold himself out to shippers as protected by the bonding system, after a time make a big and quick clean-up, and leave the bonding company to settle. Suppose he pocketed the proceeds of five cars of eggs at about $2200 to $3200 per car, the consignors would not be very well protected by a $2000 bond.

In any event, the Commission was strictly in the fashion in advocating such a law, and although a bill of this nature failed of passage at the next session of the state legislature, it will doubtless be tried again in later sessions, and ultimately passed.

The Chicago Municipal Markets Commission was a public-spirited body of men and women who served because of a real desire to help to solve one of the city's pressing problems. They took a large amount of time from their other interests to devote, in a fine spirit of civic helpfulness, to devising ways of lightening the burden which rising food prices were causing to weigh heavily on their poorer fellow-citizens. It was unfortunate that they devoted so much of their time to the elaboration of a program and so little to a systematic study of the problem they had set themselves to solve. If their unfinished work were taken up by some permanent officer, or board, who should be given complete supervision over the city's marketing activities, truly valuable results might be accomplished in the way of correlating the various parts of the

market system and collecting adequate data upon which improvements in method might safely be based. A little patient and consecutive attention to the problem would do much: a sudden assault upon it merely irritates the members of the trade, raises false hopes among the ill-informed, and threatens to commit the city to dangerous undertakings.

CHAPTER X

OTHER PROJECTS FOR IMPROVING THE MARKET SYSTEM

Although the Municipal Markets Commission ended its days without having solved Chicago's market problem, other projects for improving our system have survived or have arisen since the time of its passing. These may be grouped under three heads. The first comprises direct selling methods operating through the agency of the parcels post and the express companies. The second embraces co-operative marketing arrangements, whether on the part of sellers or of buyers. Third are the possibilities of better places, improved conduct, or more efficient organization which may be secured as a result of activities coming from within the business itself.

With the advent of the parcels-post system and the subsequent reduction of the tariffs of express companies, a great deal of attention was devoted to the possibilities of shipping food supplies direct from the country producer to the city consumer. It has been argued that to do this is to increase returns to the farmer, reduce costs to the city dweller, and, by shortening the time requirement, furnish goods of better quality. Incidentally, a personal relationship of friendship and responsibility between the parties is promised to take the place of an irresponsible and selfish attitude engendered by the more roundabout system now in vogue.

Arguments of this sort were frequently on the lips of those who labored for the passage of the Parcels-Post Bill, and, once it had been enacted into law, a commendable desire on the part of the Post-Office Department to show

results to the voters spurred them to vigorous endeavor toward establishing and developing a traffic in farm products. At the same time the express companies were moved by a like desire to produce results for their stockholders, and began a similar campaign for the building-up of their business in the carrying of food commodities. By neither of these agencies could the work be done in a day. Whatever might be the merits of the scheme, and however keen the longing of both country and city people to avail themselves of its advantages, considerable work was found to be necessary before it could be put in practical working order. The task was of a twofold nature. First, an adequate method of handling the goods must be devised, special containers designed, approved, manufactured, and distributed, and both employees and patrons made acquainted with the service regulations and methods of doing the business. Second, an information service had to be established through which consumers might learn where they could buy the various goods they desired, and producers might be put in touch with prospective buyers.

The Post-Office Department wisely decided to devote its early efforts to somewhat intensive experiments in particular localities which promised well for the success of the venture. As soon as these concentrated efforts established the system for one or more typical cities upon a firm footing, their experience and lessons could be made the basis of work in a larger area. Thus it was the summer of 1914 before active work was begun toward the development of a parcels-post marketing service for the Chicago district. "Under date of August 1," says Postmaster D. A. Campbell, "this office, owing to the apparent success of the undertaking in other cities, was authorized by the Department to inaugurate the plan in Chicago. In order to do this it became necessary to get in touch with producers who were willing to coöperate with this office in order to assure the success of the movement." Accordingly, a pamphlet of in-

formation for prospective shippers and a letter of instruction to local postmasters were prepared and sent out to all money-order offices within the first two zones tributary to the Chicago Post-Office. Probably no better idea of the work undertaken can be secured than by quoting portions of this pamphlet. It says: —

The Chicago Post-Office has been directed by the Post-Office Department to expand the facilities of the parcels-post service as rapidly as possible in an effort to offer the public every opportunity of enjoying the advantages accruing from the mediation of a system permitting of closer relations than have hitherto obtained between the producer of farm products and the consumer thereof.

Every possible inducement is offered the farmer to interest him in the parcel post as a means of transportation. Charges have been materially reduced and the weight limit very considerably increased upon matter intended for delivery within a radius of 150 miles.

It has been found that the greatest obstacle to extending the producer-to-consumer plan is the misunderstanding on the part of country people about the prices city folks can or will pay.

The chief object of the plan is to reduce the high cost of living, to which people in large centers of population like Chicago are subjected, and the only incentive to cause the consumer to divert his trade from the local retailer to the farmer is the fact that he can thereby secure the articles fresher and cheaper. Fundamentally, these are the only reasons to induce the consumer to undertake the trouble and uncertainty of securing farm products by parcels post. Of course the farmer is entitled to receive fair profits above those yielded by prices previously received, but he must divide the advantage of the parcels post with his customers.

Unless the producer is willing to share the benefits with the consumer, who agrees to accept farm produce which he has not had an opportunity to examine and the quality of which is consequently subject to a degree of uncertainty, there is little likelihood of the expansion of his business by this means.

One of the objects sought to be attained is to assist and secure a market for those producers who have been unable to dispose of their produce to profitable advantage for reasons too numerous to mention here, and of which the producer himself is well

informed. On the other hand, it is the purpose to assist the consumer in reducing the high cost of living by placing him in contact with the producer who is willing to sell on a reasonable basis.

In order that this office may be fully informed on the operation of this plan and to secure information to determine the approximate results of the undertaking, it is deemed advisable to have all producers submit prices at which they are willing to sell their products. (These, however, will not be published.) The prices quoted and submitted must be placed on a reasonable basis, and reference should be made as to whether the same include postage for cost of transmission or not. Wholesale market quotations may be of some service in this respect in fixing prices, at least for the present, until some more economic system is adopted. Some producers, no doubt, on account of cheaper means of production at their command, will be able or willing to quote prices considerably lower. All prices submitted will be closely scrutinized, and the names of those submitting unreasonable and excessive prices will be eliminated, if deemed expedient.

On account of the fluctuation of prices due to change of season and other causes, the parcels-post list will be revised from time to time. Farmers, in submitting prices, should therefore state the duration of period for which the prices hold good. Prices should hold good for at least thirty days, and at the expiration of that period producers should submit new prices.

A considerable number of instances of poor packing have come to the attention of this office. Farmers are cautioned to pay particular attention to this matter and carefully read the regulations governing the manner in which articles should be put up for shipment, as set forth elsewhere in this pamphlet.

All inquiries and correspondence received by producers should be promptly answered and all orders should be filled without any unnecessary delay. If unable to fill orders on account of supply being exhausted, producers should promptly notify correspondents to that effect, and at the same time advise them where the articles can possibly be obtained. This will greatly facilitate the operation of the plan.

Farmers and producers who desire to ship in considerable quantities can, by proper organization, join in ordering large quantities of supplies, such as wrapping paper, mailing cases, and twine, and in that manner secure them at lowest prices and reduce proportionately the cost of mailing parcels-post packages.

A list of the names and addresses of sixteen concerns which manufacture containers for the shipping of farm products is given, as well as elaborate instructions as to how shipments must be packed, wrapped, and labeled. Rates of postage are also given — five cents for the first pound and one cent for each additional pound within the first and second zones, and six cents for the first, and two cents for each additional pound in the third zone. The limit of weight is fifty pounds in the first and second zones and twenty pounds in the third. Of considerable interest, too, are the items included in a column headed "Points of Interest to Farmers." A few of these read as follows: —

Do You Know that the parcels post is the best medium to bring consumer and producer into closer contact, thus opening the way to reduce the high cost of living?

Do You Know that the benefits obtained by using the parcels post will be of mutual advantage to both consumer and producer, and which would otherwise go to the middleman?

Do You Know that the parcels post offers a steady market for any surplus stock you may have on hand from time to time, and that there are thousands of people awaiting an opportunity to purchase your produce?

Do You Know that the way to retain these customers is to maintain the high quality of your products at a reasonable price at all times and that customers once using them will call for more?

Do You Know that it takes a retail merchant several years to build up an established and profitable retail trade? So do not despair when results are not instantaneous, but persist and push the cause along to the benefit of all, and when results are once established, the good-will of your customers thus obtained will be a most valuable element in your business.

Do You Know that the Post-Office Department is willing to coöperate with you in every possible manner to insure success to the farm-to-consumer scheme, and appreciates your efforts and coöperation contributing to its success?

The circular closed with a request to producers to send in their names and addresses to the Postmaster at Chicago,

"stating the produce you have for sale, and the prices of the same, so that they may be included in the 'List of Producers,' issued for distribution to the public generally." The first of these lists was not put out until February 1, 1915, but between that date and January 1, 1917, sixteen such "Farm-to-Table" bulletins have appeared.[1] The system must still be regarded as in its experimental stages; nevertheless, experience has gone far enough, here and elsewhere, so that the probable extent of its usefulness may be fairly well foretold.

There is a small class of produce which at present fails of being marketed at all, which the parcels post will undoubtedly put within reach of the consumer. Many small producers, living within a comparatively short distance of the city, have, from time to time, a surplus of one sort or another of food products. It may be more fruit than the family can use and preserve in a year of special abundance, or it may be surplus vegetables such as go to waste in many a suburban garden every year. There are also extra eggs in the spring and summer months and poultry of various sorts to be disposed of in the late summer and fall. Often the local market is flooded with such wares and has no regular shipper who provides an outlet to other consuming centers. But such producers frequently have relatives or friends in the city who would be more than glad to get these articles direct from the country, and with whom settlement can readily be arranged upon terms mutually satisfactory.

The recent movement toward small specialty farming has created another class of producers who can profit largely from a cheap and flexible means of transportation such as is offered through the parcels post. The man who aims to make a living from the intensive cultivation of a little tract of five or ten or even forty acres must produce by special methods an article of superior quality, and sell

[1] A specimen page from one of these lists is shown in Appendix F.

it at a fancy price. It is quite possible and distinctly advantageous for him to build up a permanent clientèle in the city, to whom he ships a stated quantity of eggs, butter, poultry, vegetables, or what-not, once a week or at other suitable intervals. An occasional post-card serves to increase, diminish, or alter the regular shipment, and a remittance at the end of the month settles the bill. The point to be noticed in this connection is that the business, to be successful, must be standardized and reduced as completely as possible to a simple routine. When these conditions cannot be met, it is evident that there are serious limitations to the possibilities of direct trading.

It is not to be supposed that the housewife who demands two or three deliveries from the grocery in a single day, because the span of her forethought does not reach from morning till afternoon, is going to put herself to the bother of writing letters of inquiry to producers advertised in a post-office or express company list, and get her order off some days in advance of the expected time of using the supplies. Nor is the woman who relies on the telephone to save her labor in marketing very likely to establish a mail-order system of doing business direct with producers, for the sake of the small sums that could be saved by so doing. The very class who are most driven to such economy are the extremely poor, many of whom are illiterate and many more of whom are so clumsy at letter-writing, and so unfamiliar with methods of remitting money, that they are thereby automatically eliminated from participation in the scheme.

The same force operates to reduce materially the number of farmers who will permanently attempt to carry on business in this direct but cumbersome manner. The clerical labor involved, the necessity of keeping suitable packing material and containers on hand, the difficulty of settling disputes and making collections, all these tend to persuade the man with the hoe that he had best attend to the busi-

ness of producing, and let some other specialist market his goods.[1]

For those classes, even, who are willing to set up a mail-order system, there are somewhat narrow limitations imposed by the necessity of having shipments cooled or warmed or tenderly handled. Eggs must be very carefully packed if they are to go through the mails without serious breakage. The postal regulations require each egg to be separately wrapped (if going beyond the local delivery area) "and packed in a strong container made of double-faced corrugated pasteboard, metal, wood, or other suitable material and wrapped so that nothing can escape from the package." Butter suffers from lack of refrigeration, though the Department of Agriculture reports that its shipment is feasible if each print is wrapped in waxed paper and enclosed in a tight container. The more tender vegetables and fruits can be delivered in good condition only if packed with the greatest care and given special attention by the employees of the express company or post-office. The dressed chicken that is shipped to town in a closely wrapped parcel, riding in the sweltering heat of the rural carrier's cart, in the stuffy mail car, and through the hot city streets in a parcels post delivery truck, stands a very fair chance of emerging in the consumer's kitchen in a condition unfit for use.

Then who is to blame, and who will stand the loss? Or what is to be done if the goods are not as represented, or, while good enough in themselves, are not what the consumer wants? Honest misunderstandings and purposeful

[1] Often producers put their names upon a list or allow them to be put there in a pure spirit of speculation, to see what comes of it. If letters of inquiry come after they have sold their supplies, or from persons who ask for something different from what the farmer has for sale, he commonly does not answer such letters. It was reported at the hearings of the Municipal Markets Commission that one woman in Chicago had written to ten names from one of these lists without receiving a single reply. At that point she gave up the attempt to buy in the country.

deceit both have power to mar the friendliness, success, and permanence of direct relations between the householder and the farmer. A competent observer of the work done by the government to stimulate direct transactions through the Washington Post-Office concludes that "consumers can never be induced to purchase to any great extent by the pig-in-a-bag method offered through the parcels post. A good many people of Washington have purchased from farmers just once. After one experience they declare that if they are to pay store prices for bad, broken eggs, inferior apples, ancient poultry, and diminutive potatoes, they prefer to pay them to the stores. There is a chance that a storekeeper will make good an inferior lot of goods purchased from him or refund the purchase price; there is no chance for recovery from the honest but elusive farmer. As soon as the farmer has established a reputation for excellent goods, his entire product will be demanded by wholesalers or retailers, so that he can no longer afford to sell in trifling lots to consumers direct." [1]

Finally, it may be doubted whether on those goods that can be marketed directly from the small class of producers who are able and willing to sell in that manner to the limited portion of the consuming public who will bother with that sort of marketing, the saving is so great as to touch vitally the expense of the city's living.[2] The difference in country price and city retail selling price for eggs ranges commonly from five to ten cents per dozen. If a dozen eggs are to be mailed by the country producer, the corrugated paper box in which they must be shipped will

[1] *American Economic Review*, March, 1915, p. 124.

[2] It is significant to notice that the system jogged along with about 175 to 200 names on the lists issued by the Chicago Post-Office up until October, 1916. The next list jumped up to 639 names. Presumably this was due to the access of interest of consumers in anything that offered even the slightest mitigation of "war prices." Eggs are by far the most important offering.

cost five cents (if bought by the hundred); postage will be seven cents within the first and second zones (weight of the package about two and one half pounds); and if one letter is sent in connection with the transaction the total cost of delivery amounts to fourteen cents. The cost of a single small shipment is thus practically out of the question. If, on the other hand, a large family takes a three-dozen box twice a week, returns the cartons and sends a letter of remittance once a month, the cost of parcels-post delivery may be reduced to five or six cents per dozen. If several neighboring families unite in the purchase of eggs so that they can take a ten-dozen, half-case, or even case-lot (thirty dozen) the margin of expense can be reduced still lower, but some one person must assume the practical responsibility for managing the system.

For the single family, the saving resulting from having shipments come in fairly large parcels is to be secured by having a composite package containing eggs, poultry, butter, and vegetables. Such a parcel weighing fifteen pounds would cost only nineteen cents postage in the first and second zones, whereas its total value might be three or four dollars, and might be bought in the country at a saving of fifty or seventy-five cents.

This method of dealing has been developed still further for purposes of express shipments. The "home hamper" exploited by the Long Island Railroad illustrates the possibilities in this direction. The "home hamper" consisted of six four-quart baskets of assorted produce enclosed in a stout hamper and shipped on stated days to a list of patrons in the city, at a flat-rate charge of $1.50. This system has the great advantage from the standpoint of the producer that it leaves the selection of articles to his own discretion and thus enables him to clean up his stocks, instead of having certain lines left on his hands, owing to the caprice of buyers. To work successfully, this plan must be based upon a considerable knowledge of the tastes of

the community to be served and must allow of some alteration in the contents of the hamper in accordance with expressed likes or dislikes of the patrons.

The Wells Fargo Express Company has done something in the same direction, by securing offers from country sellers of combination packages of butter and eggs to be delivered at a lump price. Some of these are in amounts as small as five dozen eggs and five pounds of butter, others run as high as fifteen dozen eggs and ten pounds of butter. This last is obviously a three- or four-family package, and at the prices quoted (May 8, 1915) represents a saving of ninety cents over city retail prices.

The methods developed by this express company in their effort to build up this sort of trading are well worth noticing. They have been free to go somewhat farther than the Post-Office Department in the way of actually participating in the business. Through their Order, Commission, and Food Products Department they receive the consumer's order, transmit it to the producer, deliver the goods, and remit the payment. They have been engaged on the work since August, 1913, but thus far have been moving cautiously, to make sure that they had an adequate and dependable source of supply before they undertook to see that the public's orders were filled. They publish a weekly "Farm-to-Table Bulletin," [1] giving a list of producers and the wares they offer, the quantities in which they are packed, the country cost, and the cost delivered. The officials express themselves as much encouraged at the progress of the business.[2]

[1] For specimen, see Appendix G.

[2] Other express companies are also working to build up this class of traffic. Produce dealers have complained bitterly that in connection with the Order and Commission Department express agents have resorted to unfair and improper methods. Finally a joint committee of the Western Fruit Jobbers' Association, the International Apple Shippers' Association, and the National League of Commission Merchants met with the heads of the express companies in October, 1916, and it was understood that an amicable adjustment of the difficulty was effected.

It is evident that these two agencies — the post-office and the express company — have opened the door to a very satisfactory method of handling some near-by [1] and "speciality" lines of the produce trade. By experimentation, mutual forbearance, careful revision of producers' lists, some change in consumers' habits, the system will in time effect a more comfortable adjustment in certain details of our traffic in farm products. But as a solution of our marketing problem, it is much too feeble an agency to become the hope of our salvation. The Chicago Post-Office now handles each month about 15,000 parcels which contain food products. How much of that is to be classed as produce it would be hard to say, but it is likely that an estimate of 75,000 pounds in weight is liberal. By contrast it is interesting to note that the Chicago market will take 75,000 pounds of butter in a single day, besides 150,000 pounds of live poultry, 1,000,000 dozen eggs, and a few trainloads of fruit and vegetables. That any sizable percentage of this vast tonnage will ever come to the city in paper parcels of a few pounds each is not to be believed.[2]

[1] The parcels-post business is practically limited to a radius of one hundred and fifty miles. The express companies can claim it as one of their advantages that their zone of service is wider. Also their weight limit is not so restricted, and their rates on the larger packages are lower than the postal rates.

[2] It might also be observed that efforts to develop direct selling sometimes threaten the success of other endeavors to solve our marketing problem. Thus, for example, the Bureau of Chemistry of the United States Department of Agriculture has been engaged in a most excellent investigation of methods of preparing, packing, transporting, and storing food products. As a result of these laboratory and field experiments, the officials in charge came to the conclusion that the old method of packing poultry in ice is very much inferior to dry packing, pre-cooling, and shipping in ventilated refrigerator cars. But a plant equipped to handle the business in this manner costs a considerable amount, and must have a large and steady source of supplies if it is to be run successfully. The Government agents therefore sought to interest certain packers, who were well located for such an enlargement of their business, to put in the needed equipment and then enlarge the radius and intensify the charac-

But if the marketing of produce in Chicago is not to be revolutionized by the advent of direct-selling methods, may we not find in some other direction the means for a radical improvement of the system? Many people are looking hopefully toward coöperative organization as a means of "eliminating the middleman" and thus lowering marketing costs, to the gain of both producers and consumers. In order to judge fairly what may be expected from such movements we must examine somewhat closely the nature of their activities and proposals.

The work of the coöperative association of producers may conveniently be classified under three heads: packing, shipping, and distributing. These terms are, no doubt, somewhat arbitrary, but will, nevertheless, be fairly serviceable.

The term "packing" will be used to include all that is done by or under authority of the association to prepare the goods for actual shipment. This may include some supervision of the growing of the crop:[1] it commonly covers the selection of the package, establishing of grades,

ter of their operations, in the territory tributary to their shipping point. Some such plants were established, but the efforts to build up the trade have been forced to compete with the blandishments of "farm-to-family" parcels-post selling, which is being preached through the same territory at the same time by demonstrators from another branch of the Department of Agriculture, as well as by State agencies.

The discussion of the possibilities of parcels-post marketing contained in this chapter was written in the spring of 1915. Subsequently the Department of Agricultural Economics of the University of Wisconsin made a careful investigation of results actually obtained in that state. They report (see *American Economic Review*, September, 1916) that the parcels post "has not fulfilled the expectations of the farmer as a selling agent." As for the consumer, direct selling "will not reduce the high cost of living; better stated, it will contribute to the cost of high living," since city residents are induced to pay the increased costs of marketing by mail or express for the sake of getting a fancy article fresh from the farm.

[1] Such as requiring all growers to plant some certain variety or strain of proven merit, fertilize and cultivate according to methods which have been found to produce an article of superior shipping quality or market esteem, or spray in a certain manner.

inspection and supervision of picking and packing. In the case of very perishable articles, such as berries and tender vegetables, packing is done in the field under direction of the association and subject to the control and approval of its inspectors. Other products are generally brought to the packing house of the association, where the work can be done more cheaply and efficiently. Where a considerable volume of goods is handled, sorting can be done by machinery, inspection can be much more rigid, and better storage facilities can be supplied. Such goods as require special treatment (like the curing of lemons) can be prepared at the association's plant with less danger of loss and greater assurance of getting a superior quality in the finished product.

All this tends to turn out a standard pack, whose quality can be depended upon, which can be handled with the least delay and uncertainty in the market. It establishes regular brands and trademarks, behind which the joint responsibility of the whole community is placed and on which a reputation can be built and better prices be secured. Losses in transit, due to improper packing or shipping are reduced, the cost of useless resorting and repacking is eliminated, and the shipping of refuse products along with the marketable grades is avoided. It is much better to feed "culls" to the farmer's stock or throw them away at the shipping point than to pay freight to the distant market and the cost of grading and packing a second time.

Thus far the work of the growers' association is nothing more than completing the process of production, putting the goods in finished form for the market. It may limit its efforts to this technical part of the process and not attempt to invade the field of actual marketing. It may be that buyers or traveling brokers come to the packing-plant or the shipping platform ready to take the goods off the growers' hands. If the organization is small or inexperienced in the handling of distant sales, and if the price

offered is attractive,[1] it may deem it wiser to let the further work of distributing the crop pass into the hands of professional traders. But the very fact that it controls a considerable quantity of a standardized product puts the association in a stronger position and the collective bargain which it makes is likely to be financially more satisfactory than the terms that any of the individuals could have made alone.

Most associations, however, are shippers as well as packers of their own product. The degree of elaboration attained by their selling organization varies with the volume and character of the wares to be sold. Small associations may consign to a single commission merchant in some primary market. Those which develop a somewhat more comprehensive selling system establish relations with brokers, auction companies, or dealers in many cities, receive telegraphic advices from each market every morning, and dispatch their shipments to the most advantageous selling point. This tends to equalize supplies and prevent the loss to the producer which comes from shipping to a glutted market.

But if it is to reach its full attainment as a selling agency, the coöperative organization must reach a size that justifies the establishment of a permanent and comprehensive selling service, which puts their own employees into all the principal consuming centers to conduct in person the distribution of the product to the trade. Such representatives inspect all shipments on arrival, enter claims against the carrier if the goods have suffered in transit, sell direct to jobbers or retailers, or attend the auction where the goods are disposed of, to make certain that the association's interests are well cared for, and attend to the storage of any

[1] This is most likely to be the case if the crop is relatively scarce, so that buyers are competing with one another. Not infrequently, too, the whole output is contracted for in advance. This is particularly the case if the locality or association enjoys a reputation for the superior quality of its product.

shipments which are designed for later sale. They likewise keep the central office informed as to prices and the outlook of the trade, so that current shipments may be made to the most suitable markets, or diverted thither while in transit.

No single association, of course, can afford to maintain a selling organization of the sort we have been discussing, but by federating the local organizations into district associations and these in turn into a comprehensive selling exchange, these advantages of consolidation can be secured without disturbing the local character and independence of the growers' associations. Such arrangements have been most fully perfected in the case of the California Fruit Growers' Exchange, though to a lesser extent in the apple trade of the Northwest, and in other lines elsewhere. These federations are built up through three levels of organization, from local to district and from district to central exchanges, corresponding roughly to the three functions which we have differentiated, namely, packing, shipping, and distributing. The local "association usually owns a packing-house alongside a railroad where the fruit of the members is assembled, graded, pooled, packed, and prepared for shipment." [1] Goods thus prepared under the supervision of the local associations are shipped through the district exchange, which acts as a clearing-house for the fruit shipments of the district and "through which most of the business relations between the (central) exchange and the local associations are handled." [2] The central exchange furnishes a force of bonded representatives in all the principal markets, who dispose of goods according to the orders of the shipper. Through these agents also the central exchange gathers very complete market information, which it furnishes daily in bulletin form to the district and local organizations, who are thus enabled to ship at the right times and to the best markets. Besides this

[1] Powell, *Coöperation in Agriculture*, p. 244. [2] *Ibid.*, p. 245.

service for the equalizing of distribution, the California Fruit Growers' Exchange carries on an extensive advertising campaign and in other ways seeks to develop a demand for citrus fruit capable of absorbing the increasing output of the California orange and lemon groves.[1] Other exchanges are beginning to follow this example.

There can be no doubt that the coöperative type of organization has become established among the producers of fruit and vegetables and dairy products. The citrus industry is highly organized, the apple trade in several sections hardly less so, and from one end of the country to the other there are potato exchanges, fruit and vegetable associations, farmers' unions, and coöperative marketing societies of every kind, extent, and degree of permanence. Some last a season, some not so long; many appear to be securely established. Here they appear like mushrooms, grow, combine, federate, secede, or perchance are broken apart by the Department of Justice; there they are comparatively small, close-knit, conservative concerns which pursue their modest but serviceable career for many years. Hardly a week goes by during the season, but that the trade papers report the birth of a new

[1] The exceptional success which has attended the operations of the California Fruit Growers' Exchange is generally attributed to the skill with which the crop is distributed to the various markets by means of the diversion of cars in transit in accordance with the market information secured and disseminated by the Exchange. If now the United States Department of Agriculture extends its market news service so as to give as good or better reports to all shippers, it would seem that even the small local associations would approach to the marketing efficiency of the members of the strongest federation. They would not, of course, enjoy such benefits as flow from joint advertising of their product or of any centralized control over supplies or prices. Such control the California Fruit Growers' Exchange specifically disclaims, though other associations keep a close rein on both. In California, Mr. Harris Weinstock, as Commissioner of the State Commission Market, has endeavored (thus far without much success) to weld all the producers of the State into a system which would pool their whole output for unified distribution under State auspices.

growers' association.[1] Their deaths are not so faithfully recorded, but the mortality rate is known to be high. It is supposed that there are now somewhat over five hundred coöperative marketing associations in existence.[2]

As to the benefits which our market system may expect from this coöperative movement, it is quite clear that activities of the first class which we have been discussing — those directed toward growing, harvesting, and packing the crop — tend to reduce cost, improve quality, and eliminate waste. By aiding the grower in his work or by simplifying the task of getting shipments on their way to market, these agencies are able to enlarge the supply of goods which comes forward to meet the consumers' demand. The resultant lowering of consumers' prices is not inconsistent with an increase of returns to the producer which, of course, is his prime incentive to organize. For a lower market price will yield a better net return if costs be more than proportionately reduced. And even if the net return per unit of product be lowered as a result of

[1] A single issue of *The Packer*, taken at random, announces the formation of one association to ship cucumbers, Irish and sweet potatoes from Florida, and an extensive "movement to organize a general association among the growers and shippers of Satsuma oranges in the four or five coast counties in Alabama and Mississippi." They report that twelve locals have already filed the necessary papers with the courts and that several others are being formed. The same paper contains display advertisements of fourteen growers' societies, and it is significant that some receivers of produce have fallen into the way of addressing their solicitations to "associations and individual shippers." The power of some of these associations is indicated in a news article on "Eastern Shore Crops" which mentions the "Eastern Shore of Virginia Produce Exchange, which handles 75 to 80 per cent of the total shipments of the Eastern Shore section. . . . This exchange operates from 41 different points. Its membership is about 3000 and all goods shipped by them are put up under the 'Red Star' brand. The total value of a normal crop of Accomac and Northampton counties is estimated at approximately $6,000,000."

[2] *American Economic Review*, Supplement, March, 1915, p. 116. This leaves out of account the marketing activities of the 2165 coöperative creameries and the 336 coöperative cheese factories. See *Yearbook*, United States Department of Agriculture (1913), p. 239 ff.

enlarging production, better methods of cultivation or management made possible through coöperation may still effect a larger return from the whole product, figured as a proportion upon capital and labor expended.

Coöperative associations of this first type are therefore establishing themselves firmly, are welcomed by the produce trade (whose members are glad enough to be relieved of the losses, uncertainties, and costs incident to poor packing and unstandardized products), and are destined to effect a large measure of improvement in our marketing system. However, it is obvious that their benefits are not accessible to all producers. No such organization is feasible unless there is a considerable volume of goods produced and a fairly high degree of local specialization in some particular product. Where produce is raised merely as a side line, the most practicable procedure is to trade the small surpluses at the country store or sell them to a local produce buyer. But even where there are valid reasons for undertaking a coöperative selling organization, certain practical obstacles frequently stand in the way of its establishment on a successful footing. Proper legislation has been lacking in most of our States, though this is being remedied in some places. The most fundamental difficulty on the whole has been the securing of sufficient loyalty, honesty, and peaceableness among the members, and adequate commercial training and experience in the officials. These lacks, too, are being gradually remedied by the slow process of education and hard knocks.

In passing to a consideration of the second and third classes of market functions, we meet a somewhat different situation. That producers can secure further gains from coöperative organization through undertaking the shipping and distribution of their products is by no means axiomatic. We have seen that certain definite savings can be effected by coöperation up to the moment when

goods have been packed ready for shipment. That coöperation can go beyond that point and reduce later marketing costs may or may not be true. The mere "elimination of the middleman" means nothing unless the cost of what the middleman does can likewise be reduced. The real question is whether the producers can secure the needed expert services more cheaply by establishing their own selling organization than by availing themselves of agencies already specializing in this work. This question must be answered according to the merits of each special case, not prejudged on the basis of *a priori* generalizations. Still, there are two points whose consideration sheds some light upon the matter. One relates to the length of the selling season, and the other to the resources for financing the business.

It seems fairly clear that where the crop is of a sort which must be marketed within a few weeks, such as berries, peaches, and many kinds of vegetables, the cheapest and safest course for the growers is to sell their product (properly graded and packed under supervision of the society) at the loading platform, or ship to reliable brokers in the various city markets. Such receivers are in a much better position to build up an expert sales organization, with a broad contact with all lines of distribution. With their business on a twelve-month basis, they are in a position to get and retain the best salesmen, become familiar with the peculiarities of various market usages and peculiarities of demand, keep in touch with the "feel" of the trade which makes their instinctive judgment a valuable guide in the delicate process of forecasting values and directing merchandising operations accordingly. It is because they have found that the expert service of the professional dealer furnishes in the long run the most satisfactory manner of disposing of their goods that so large a number of producers' associations act merely as packers and shippers of their product.

A few products, however, such as potatoes, apples, and citrus fruits, have a very long selling season, in the latter case lasting the whole year through. In such cases it is entirely feasible for the producers to organize a sales force of their own on a permanent basis, and carry through the marketing of the crop in a satisfactory manner. This necessitates a fairly large volume of product, so that the necessary overhead expense may be widely distributed, and also requires that the members be located in a somewhat compact producing territory in order that the necessary community of interest may operate to hold them together. Such a localization of the business has been credited with the success of the California Fruit Growers' Exchange and it is still more clearly marked in the case of the Raisin Association. Probably the wide dispersion of the producing fields is responsible for the limited success which has attended the repeated attempts to organize the apple industry on a broad scale. In the case of the commoner vegetables and the more widely scattered fruits, comprehensive organization on the coöperative principle is apparently out of the question. The recognition of this fact, however, need not be a cause of discouragement to the seeker after more efficient marketing methods; for the evolution of professional distributing agencies, outlined in a previous chapter, has opened the way to an economy and efficiency in the handling of the business which is at least the equal of the best the federated exchange can accomplish. And growers need only to act intelligently through local producers' associations to secure these expert services at a charge commensurate with their cost.[1]

A second limitation upon the taking-over of the distributive function by producers is set by the necessity

[1] Indeed, even the California citrus-growers have not a unanimous conviction that their far-famed Exchange provides the one best selling method. There is a persistent "f.o.b. California" faction, and whenever returns become unsatisfactory they demand that the method of "tramping" cars to market be abandoned.

which it entails of furnishing capital in large amounts. This arises from the need of storing and financing the crop until finally disposed of, in addition to meeting the actual cost of the mere selling service. Where the grower is operating on so small a capital margin that it is necessary for him to get cash the moment his crop is put on the shipping platform or delivered at the packing or storage house, there is little chance for him to think of reaping the possible benefits of coöperative selling if a warehouse must be furnished and his goods held for some time before being converted into cash. It must be further remembered that where goods are sold to a wholesale receiver, or in many cases even where they are shipped on consignment, very substantial advances are made to the grower before the goods arrive at the market or before they are harvested or sometimes even before they are planted.

If producers elect to do these things for themselves, they must not only devise a way of securing the necessary capital, but in computing their gains from coöperative marketing they should count the full cost of this capital. In most cases the significant fact is the opportunity cost, that is, the comparative return which the same capital would yield if otherwise employed. If drawing off funds to capitalize a marketing department leaves the producing end of the farmers' business in a condition of lowered returns because starved for capital at some critical stage, the last estate may prove worse than the first. The American farmer shows a strong tendency to seek increased returns in the direction of high technical specialization and full capitalization of his enterprise with the most efficient machinery, fertilizers, insecticides, drainage, and irrigation works.[1] Such a policy looks toward maximum efficiency from specialization in the production of goods,

[1] A similar point was made in connection with public markets (p. 180). The student of agricultural economics finds it manifested in many situations.

joining hands with a like efficiency on the part of specialized marketing agencies. Of course, there are times and places at which the application of further effort and capital to production may show diminishing returns and diversion of them to marketing enterprises may be advantageous, but a sweeping doctrine of "every man his own marketer" is a gospel of unspecialized and self-sufficing inefficiency.

However, coöperation is of two kinds. Consumers also may join together to eliminate the middlemen at their end of the marketing chain by going more directly to the source of their supplies. The coöperative store [1] is the means which they propose for the improvement of our market arrangements. This institution has had comparatively little vogue in the United States and is scarcely known in Chicago. The figures which are therefore called to our attention to convince us of the gains which could be secured through coöperative buying are based largely upon the results obtained abroad. Unquestionably the experience of Great Britain, Denmark, Belgium, and other European countries goes far to show that under suitable conditions coöperative stores may be organized on a permanent basis and effect a considerable saving in the cost of supplies.

Such a case in this country is to be found in the coöperative store long operated by the miners of Calumet, Michigan. This has secured a firm rootage in a relatively homogeneous community already bound together through union affiliations. Similarly a coöperative store which was established at Indianapolis about four years ago, as a result of the street-car strike, appears to have gained a permanent place in the life of the city. There are also the stores at Wilkesbarre, Pennsylvania; Montclair, New

[1] Or, to a limited extent, group-buying of an occasional sort without the establishment of a store. This may be by a trade-union local or similar body or by a group of neighbors.

Jersey; the Zion Coöperative Mercantile Institution of Salt Lake City, and numerous farmers' stores in various parts of the country.

In Chicago only one coöperative grocery has thus far been established, namely, the United States Coöperative Company, which operates a grocery and meat market at Kenwood Avenue and Fifty-Seventh Street.[1] This store was organized about four and one half years ago. Its members and patrons come from a rather well-to-do class whose ability to contribute capital and participate in management is quite superior to that which would be found in many other parts of the city, where any savings which might result from coöperation are more imperatively needed. As it was, the enterprise would have gone to the wall by the end of the first year had not the members been able and willing to respond to a heavy assessment. With this new capital the store moved into better quarters in a more favorable location. There it has prospered moderately, but has not imparted any noticeable impetus to the coöperative movement in other neighborhoods.

Such extension could take place only if the prospective coöperators were able to meet three conditions, namely, provide the necessary capital with which to begin business and financial responsibility to safeguard it against sudden dangers, secure a competent manager, and maintain a true spirit of coöperation. The capital demands are not large: in case goods can be secured on credit, $600 to $800 will launch an ordinary small grocery in rented quarters. One hundred persons subscribing to one share each at $10 constitute a nucleus about which a very successful enterprise can be built up if management is wise.

[1] On July 16, 1917, the National Society of Fruitvalers opened the first of what they announce to be a chain of 916 coöperative grocery stores in Chicago. The membership fee is two dollars down and one dollar per week for forty-eight weeks. The society claims to own 20,000 acres of Michigan land and proposes to raise a large part of this fresh produce and to operate a large cannery to utilize any seasonal surplus.

There are many classes in the city, such as salaried office and store employees, among whom enough business ability could readily be brought to bear upon the problem to make such a store an almost certain success. But these people are often rather impermanent in their place of residence or are too much engrossed in other matters to turn their attention in this direction. Coöperative enterprises do not grow of themselves, but require careful nursing during the days of their infancy.

The crux of the matter is that the benefits which can be secured do not appear to offer any considerable return upon the effort involved. If the coöperative store carries the same wide assortment of goods and renders its patrons the same elaborate service, there is no reason why its operating expenses should be lower than those of any other well-managed retail grocery. Nor can we expect such a store to handle a volume of business so large as to enable it to effect notable economies in its purchasing. Certainly, in the matter of produce commodities, it can not get its small lots of goods direct from the producers more cheaply [1] than does the ordinary retail store dealing through the wholesale market with its large-scale economies. Finally, the securing of a competent manager is a serious practical difficulty. Without a man of adequate training and experience at the head, such a venture had better never be begun. But such a man is likely to be able to enter business on his own account and to command a salary proportionate to his abilities and opportunities. Such a salary will eat up all or most of the profits which the coöperators hope to secure for themselves.

In fact it appears that the only way in which consumers' coöperation can effect a significant lowering in the cost of their food products is by banding them together to introduce real economies into the manner of conducting the business. True coöperation means the purchase of

[1] If at all.

all goods at the coöperative store, care to avoid all needless expense of operation such as frequent deliveries, and a consistent effort to bring other patrons to the store. With a larger volume of business, purchases can be made on better terms, waste from spoilage of perishables can be reduced to a minimum, and cost of delivery lessened. If non-members are held up to cash payment and no member's account allowed to exceed the value of his share, credit losses are eliminated. European coöperators have met such requirements and prospered. So long as Chicagoans are indifferent or are unwilling to make the necessary sacrifices, consumers' coöperation here will achieve nothing in the way of lower prices.

In this connection the possibilities of the chain-store system are often put forward in glowing terms. It should be remembered at the outset, however, that the chain store does not ordinarily duplicate exactly the work of the individual retailer. It sometimes restricts its delivery service, sells for cash, and avoids the more perishable lines of produce. On the other hand, it maintains a local store within close reach of the consumer and fills practically the same demand as the ordinary neighborhood grocer, relying on lower operating costs — large-scale buying; centralized management, financing, and advertising; and less waste — to reduce prices to the consumer.

Opinion differs as to what chain stores have accomplished and of what they are capable of doing in the future. They seem to have established themselves and to be expanding their field of activity in certain Eastern cities. "Probably five hundred stores are included in different chain-store systems in Greater New York. The chains vary from two to three to one hundred and fifty or more.[1] In Philadelphia there were in 1913 "six companies operating a total of 490 'chain' stores," the number of establishments in

[1] *Report of the Committee on Markets, Prices, and Costs*, of the New York State Food Investigating Commission (1912), p. 50.

the different groups running from 24 to 201.[1] In 1915 one of these companies retired from business, its stores being taken over by two of the others. In April, 1917, it was announced that a $3,000,000 corporation, styled the American Stores Company, had effected a consolidation of the remaining five companies and will operate 1223 stores in Pennsylvania, southern New Jersey, northern Maryland, and northern Delaware. This sort of thing is utterly unknown in Chicago,[2] the largest group embracing only eleven stores. There are only three chains which include as many as eight groceries each, and Chicago retailers express much doubt that such a movement offers any advantages to them. However, Eastern developments cannot be ignored, and it is likely that there will soon be an invasion of our city by some outside organization, unless local enterprise moves first.[3]

To be sure, even demonstrated success in selling shelf groceries would not prove that produce could be handled by the same methods with equally good results.[4] Still, any chain-store system is quite certain to carry eggs, butter,[5] apples, citrus fruit, potatoes, and other of the staple

[1] King, *Lower Living Costs in Cities*, p. 70.

[2] That is, as applied to the general grocery business. The Atlantic & Pacific Tea Company was discussed in chapter VI.

[3] A part of the expected benefits of such consolidation may be secured through the installation of a joint delivery system for all the merchants of a given locality, and perhaps all its real economies may be secured by coöperative buying after the pattern of the Girard Grocery Company. (See *American Economic Review*, vol. V, p. 279.) However, both present serious difficulties to successful organization.

[4] The rapid rate at which the business of operating lunch-rooms has passed over to the chain system recently, both in Chicago and in other cities, perhaps offers some hope that even the retailing of perishable produce may yet attain to consolidate efficiency. The lunch-room sells a wide range of very perishable goods at retail.

[5] In an extensive study of butter marketing in Chicago, the Department of Agricultural Economics of the University of Wisconsin (Experiment Station Bulletin no. 270, p. 61) found that chain stores sold butter on a margin of 2.35 cents per pound, whereas the ordinary grocery took 3.50 cents, and the delicatessen, 4.01 cents.

lines of produce. This means leaving the more perishable goods and those whose market is more spasmodic to the care of the specializing fruit and vegetable store, to the benefit of both branches of the business. Probably, too, this would enlarge the sphere of peddler activities — likewise with good results.

Lastly, we come to the question whether there are forces working from within the trade itself to effect an improvement of our market system. In chapter IV there have already been described some phases of the organization of the wholesale trade which show evidence or give promise of the evolving of more efficient methods of handling the business. Internally, the outlook for the solving of those problems which are peculiarly Chicago's is less bright. The retail situation seems to be deadlocked. The jobbers have made little if any progress toward establishing broad and helpful connections between the supply center and the local dealer as a focus of demand. General efficiency and "booster" organizations among the trade have been somewhat behind the mark set in other cities, though an excellent beginning has recently been made.

Perhaps the most conspicuous measure of the ability which the business manifests to see largely and meet fully the expanding needs and opportunities of its future may be found in a survey of its physical plant. Its antiquated and inadequate character has already been alluded to. Many of the men of the market realize and admit these defects and yet repeated efforts to remedy them have thus far proved futile. Several of these movements are worth examining.

A project for the relocation of the South Water Street market was taken up by the merchants of that section some four years ago, and, in the summer of 1914, it was announced that a complete plan had been decided upon and that the money necessary to carry it into effect was

shortly to be forthcoming. Almost at the same moment the European war broke out, and the difficulties of financing the plan made it necessary to abandon it for the time being. The precise location of the proposed new home of the produce dealers was not made known owing to the fear that real-estate speculators might take advantage of this knowledge, to the disadvantage of the association. It was announced, however, that a tract of land costing from $5,000,000 to $6,000,000 was to be acquired and that on this site was to be erected a market building or set of buildings adequate to house the produce business of South Water Street. The total cost of the market was estimated at about $25,000,000. It has been asserted that the funds necessary to finance the project were never really in sight, but that the wish was father to the thought that they might be secured. As we shall see, the plan when it was again presented to the public had shrunk to a very modest shadow of its former self. Whatever may have been the financial status of this first plan, it appeared to be the signal for the launching of numerous other proposals.

These ranged all the way from the most timorous proposals for temporary improvement of the present site up to the boldest schemes for building a market of the future on then vacant land miles from the present location of the produce district. The interests most anxious to prevent any considerable disturbance of the existing system urge that the alley between South Water Street and Lake Street be widened to an eighty-foot thoroughfare. Thus, they said, the market would be given adequate facilities. Obviously this would be only a makeshift measure, which could only partially relieve congestion, would keep the same dilapidated old buildings with merely a little remodeling, would not bring them any nearer to transportation or storage facilities, nor materially lower costs of doing business. The present high rents, instead of being reduced, would in all probability be forced still higher as

the result of this development of the district. A few property-owners would be the principal gainers by such a change.

Next in order of importance came a plan to erect a large modern produce building on the site of the old Northwestern Railway terminal between the north bank of the river and Kinzie Street and west of Wells Street (Fifth Avenue).[1] This would vastly improve freight and express connections with a single road, to the prejudice of all others.

A somewhat more comprehensive plan has been suggested in connection with the Randolph Street market. This proposes to extend the widening of the street for about a half-mile farther to the west (to Union Park), making of this a great producers' and jobbers' retail market. At the same time a wholesale produce terminal would be constructed to the north of the retail market, embracing the present Fulton market and connecting the whole with the large freight terminal lying north of Fulton Street. The terminal market building would probably be constructed by railroad or private capital, but it is also possible, in view of the fact that the city is already conducting a producers' market in Randolph Street, that some measure of municipal coöperation might be developed. The produce merchants of this section cling tenaciously to this plan, insisting that this locality is bound to become the produce center of the city. The development of other business interests in the congested downtown district is bound sooner or later to drive the business from South Water Street, and the West Side attitude on the matter is that the change should be made now.

Certainly this is the sort of development toward which we must look forward in the next few years. Whether on Randolph Street or not, there should be constructed, at some point strategically located, a terminal market of large capacity and thoroughly modern equipment. The Chicago

[1] See map, p. 15.

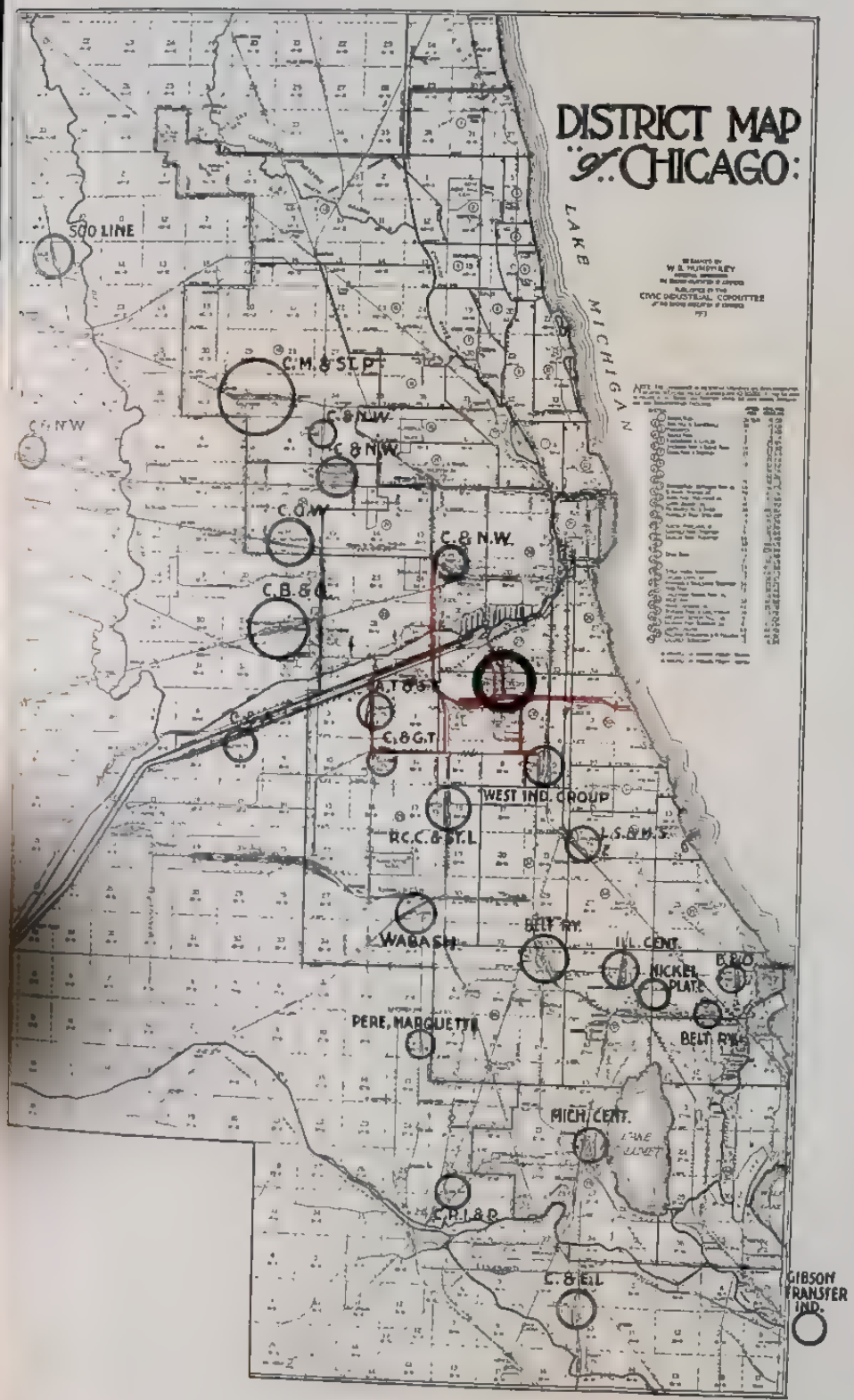
Plan Commission suggested several years ago that such a market center be developed on Twelfth Street just east of the river and adjacent to several lines of railroad. In 1915 the Santa Fé Railway offered to construct a considerable plant for handling produce at Twenty-Second Street and Archer Avenue, if the produce dealers would agree to locate there. But the plan most completely developed and financed and most vigorously agitated was the Produce Terminal Corporation.

This was a twenty-million-dollar project for creating a modern produce terminal.[1] It planned to cut loose from the old location which the trade has inherited from a now dead past and to build anew at a spot favorably located for giving the best service now and ample opportunities for growth in the future. The Produce Terminal Corporation was a creature of the Chicago Junction Railway, and their judgment as to what constituted the best strategic location for a market was bound to have some elements of personal preference in it. The site proposed is located at Ashland Avenue and Thirty-Ninth Street, adjoining the freight yards of the Junction Railway. The tract embraces one hundred acres of land, and extends a distance of one mile along Thirty-Ninth Street from Ashland Avenue to Western Avenue. It adjoins the South Branch of the Chicago River, and thus the terminal would have the full advantage of whatever lake or river traffic in produce might be developed.[2]

The principal advantage that this location offers is that the whole freight equipment of the city is brought to a focus in the yards of the Junction Railway, for their entire

[1] Including ample track-storage space, prompt switching service, and covered and heated unloading platforms. From these platforms there would be electrically operated delivery to the individual merchants' quarters. Jobbers' stores were to be furnished refrigeration if desired, but there would also be a central cold-storage plant of large dimensions, and also a refrigerated motor-truck delivery to retail stores.

[2] This is shown in the accompanying map.



THIS map shows the relationship between the site of the Produce Terminal at 39th Street and the make-up and break-up freight yards of the various railroads that enter Chicago.

This map was prepared by the Chicago Association of Commerce and it clearly shows that 90 per cent of the railroads must either cross the Chicago Junction Railway or pass the 39th Street site, before they can reach any other present or proposed market location. And 100% of the railroads entering Chicago directly connect with the Chicago Junction Railway.

This means that produce can be delivered earlier, and more quickly, to the 39th Street site than to any other point in Chicago.

This is a fact worthy of thoughtful consideration.

The central heavy circle shows the location of the new Produce Terminal at 39th Street between Ashland and Western avenues. The Chicago Junction Railway is shown in red.

Produce Terminal Corporation

ANDERSON PACE
Secretary

84 W. South Water St.
CHICAGO

plant is devoted to handling freight cars between the different roads entering Chicago. They also pointed out that their system of handling freight is already developed and has been in successful operation for many years. Thus the experimental stage has been passed through, and any possibility of delay or failure in getting the produce terminal in operation would be avoided. Further, they urged that, while it was true that the location was some seven miles from the present market, it was near the actual center of the city, and would move the market in the direction in which the growth of the city had been steadily tending for many years. This enterprise opened offices in the heart of the South Water Street district in the spring of 1915 and for some six or eight months carried on an aggressive campaign among the dealers, but was unable to secure sufficient support and the venture was abandoned.

About the middle of April, 1915, the South Water Street merchants' so-called "Moving Committee" reported that they had finally perfected plans which they believed were satisfactory and feasible, for the creation of a car-lot terminal and concentration freight yard for the produce business. They had deferred to the dealers' strong aversion to the idea of leaving their present place of business on South Water Street, and therefore suggested that the new terminal should be merely a place for handling car-lot business, but that the stores and offices should remain where they are, for the present at least. It was proposed simply to concentrate all car-lot business in one terminal freight yard, for convenience in inspection, team-hauling, or reshipment. A warehouse would be erected and equipped with small offices, furnishing desk-room and telephone connections for the salesmen who would need to be located at the terminal for the transaction of business.

The freight yard which would be utilized in case this plan should be carried into effect is a small storage yard of the Chicago, Burlington & Quincy Railroad, located

at Twenty-Second Street and Halsted Streets. The produce merchants have expressed themselves as pleased with this location, as it is comparatively close to South Water Street (about three and one half miles). This makes the project fit in with their determination to keep their business where it now is. On the other hand, the daily capacity of the proposed terminal yard is only about seven hundred cars, and even with such development as is possible by the removal of some old buildings, it could be increased to only eight or ten hundred cars per day. This is hardly adequate to the normal run of business, while in rush seasons, track storage for three thousand cars or more is required at one time. As a result, the dealers felt that the plan proposed was inadequate, and took no serious steps toward carrying it into effect.

The latest project was launched on January 28, 1916, when, through the columns of *The Packer*, one of the South Water Street merchants came forward with a plan for a dock-sales system similar to that used in New York City. This plan proposed that cars of produce, upon arrival in the city, should be delivered to stub piers on the Chicago River.[1] Thence they would be transferred by car floats to a central downtown pier, where their contents would be unloaded during the night ready for inspection and sale the following morning. In the same way cars of goods designed for other markets could be made up at the wholesale pier and delivered by car float to the shipping road. The first proposal was for the construction of a municipal or private pier at the foot of Randolph Street, but it was pointed out that the city was just completing a great municipal pier at the foot of Grand Avenue only a few blocks from the proposed site. This pier is over three thousand feet long, with a roadway eighty feet wide down the center and sales-floors one hundred feet wide along

[1] Many of the railroads already have river connections or available frontage. Others could have their cars handled by one of the belt lines.

both sides for the entire length of the structure. Fifteen hundred cars could be unloaded and sold at one time. So far as could be ascertained there was no other use to which this pier was at all likely to be put, whereas utilizing it in this way would produce for the city a revenue capable of meeting interest charges on its investment, while at the same time materially reducing the rental costs of the merchants. The movement, therefore, became a campaign for dock sales on this municipal pier.

The author of the plan urged that the experience of New York has demonstrated that such a system furnishes the cheapest method of handling produce and that it produces the best results for both buyer and seller, "owing to the fact that each can tell in ten minutes after arriving at the market the total receipts of the commodity and consequently its value." It would also effect an "elimination of the cartage charge, which amounts to an enormous sum annually." He concludes his list of advantages as follows:

(11) The benefit accruing to the railroads not only in the great increase in the volume of business, which would necessarily result, but also in the releasing to a very great extent of valuable tracts of lands in the center of our city now used for team track service.

(12) The benefit accruing to railroads and shippers in the quick release of cars, thus assisting materially in reducing the car shortage, as well as demurrage and trackage charges.

(13) The absolute protection of the shipments from weather conditions especially in the winter time, the piers being covered and heated.

(14) Claims would be reduced to a minimum. One of the greatest sources of loss to shippers, produce men, and carriers will be greatly reduced, because this plan exacts prompt handling by all parties interested in the shipment, and permits an accurate estimate of the damage. In cold weather much loss now results from freezing while cars are being held on team track. This loss would be entirely eliminated.

(15) The elimination of nine-tenths of the expense of selling cost, through the ability of one salesman to handle ten cars of produce in the same time he now handles one.

(16) Shortening of the day's work for the produce man. The early and rapid sale of produce at this market would shorten the hours of all persons employed in the business. Sales at such a market would be practically over at nine o'clock in the morning, leaving the balance of the day for deliveries and the work of getting off account sales, etc.

(17) The rapidity assured by such facilities for the handling of produce enabling consignee to make immediate report to shippers on sales even though he receives an unlimited number of cars daily.

(18) Produce sold under such conditions would be hauled to its destination in various parts of the city earlier in the day, consequently would be in fresher condition and, therefore, much more satisfactory — especially true of strawberries and vegetables.

(19) The relief of teaming congestion on South Water Street. Two thirds of the produce sold would never pass through South Water Street.

I shall not continue to enumerate the benefits to be derived under this plan, but it will be seen that they are almost without number. Probably there is no one in the trade who has not had the experience of breaking a car in the morning and after hauling two or three loads for which he found ready sale has had to hold over the balance until the next day. Why? Because before he could get his teams back into the car and down to South Water Street again trade was over for the day. The market was not lacking but the facilities for handling were wanting. Does such a system make for big business? On the contrary it cramps and dwarfs it beyond measure.

From a study of the plan I have proposed it will be seen that we have gotten away from the idea of a great central railway yard. Even if such a yard were possible in the central part of the city, I doubt very much if it would prove to be what the trade wants. Such a yard, because of the great number of cars, would become an unwieldy thing. Difficulty would be experienced in getting from one track to another because of the long lines of cars — damage would result to the contents of cars because of almost constant switching, and any transactions between buyer and seller would be more or less unsatisfactory to both, as is always the case where goods are inspected and sold in loaded cars.

In marked contrast to this is the position of both buyer and seller at the pier. Down the center is a great driveway and on

either side are the contents of the cars that have been unloaded the night before — barrel apples, box apples, oranges, butter, eggs, produce of all kinds, ready for selling. Almost in a moment you have the opportunity to know the receipts and hence the market, to inspect the goods and to transact your business. There are no cars to climb in and out of, no imperfect and almost immovable car doors to be opened, and even if the weather is below zero, no fear of freezing the lettuce or tomatoes or any other perishables you may wish to examine. In half an hour you will have transacted as much business as you formerly could do in a day under the present scattered team track delivery system, which during our experience in the produce business extending over a period of almost half a century, we have seen grow year by year into a more and more cumbersome means of delivery of the goods we handle.

This proposition met with considerable approval from the merchants, the city officials,[1] and the newspapers. The railroads were less enthusiastic. In August it was again presented in detail, this time in the form of an illustrated booklet explaining the whole plan and answering possible objections.[2] Though interest was still alive, it proved impossible to get such a united support as would lead to action.

Thus several years of agitation yield no tangible evidence that the problems of the produce market will receive

[1] It seems futile to try to get the necessary action on the part of the city government at present owing to the open break between the Mayor and the City Council.

[2] Even admitting the merits of a dock-sales system, the scheme possesses certain evident drawbacks. Though it established excellent connections with the railroads, facilitating the handling of goods which move through Chicago (as a transaction center) to other markets, and eliminating the extra hauling to the jobber's store, it makes the problem of delivery to city retailers worse rather than better. The proposed location is about one half mile north and one and a half miles east of the present market. This means a two-miles longer haul for South and West Side patrons (probably two thirds or three fourths of the total business) and a mile longer for those on the North Side. The ultimate effect of this might be that this would become a pure wholesale market, while Randolph Street and other community centers would take on a new development as jobbing markets.

prompt and satisfactory solution from within, through the action of the traders themselves.[1]

[1] It appears quite useless to talk to the dealers in terms of "moving South Water Street." No dream of increased efficiency seems strong enough to make them resolve upon breaking home ties and emigrating to a new location. One of the strong appeals of the municipal pier plan is that it proposes merely to shift the traffic work to a freight and express terminal, leaving the merchants' headquarters where they are now. However, it is entirely possible that, once the system of dock sales was working smoothly, stores and offices would soon seek the same neighborhood. This vicinity was unimproved until recent years, but is now building up rather rapidly.

CHAPTER XI

SUMMARY AND CONCLUSIONS

THE principal facts of Chicago's market situation may be briefly summarized under four heads. We can then make some critical appraisal of the system and set down a few constructive suggestions.

1. The market-places are so located as to derive only a fraction of the traffic advantages which might accrue from Chicago's position as a railway center and as a lake and river port. In large measure the benefits of a high degree of centralization of the wholesale business have been secured, but there is little facility of contact with retailers and consumers.

The character of the buildings, also, is not such as to enable the merchants to enjoy the economies of operation or conservation of the quality of their goods which could be secured through the use of better mechanical equipment for handling their business.[1]

2. The business is carried on by many private firms and small corporations, operating to only a limited extent through exchanges and auctions. There is a notable tendency for the best concerns in the wholesale trade to grow in size, and quite a number of them now handle a volume of business amounting to several million dollars of gross sales annually. In view of the rapid rate of turnover, this, of course, does not represent a business of large size as compared with the largest wholesaling units in other mercantile lines. A well-marked integrating movement,

[1] Cold-storage facilities, which were formerly supplied in an adequate amount by public warehousemen, will probably become sufficient in point of space with the opening of new warehouses scheduled for 1917, but the location of most of the plants necessitates costly teaming of the goods on entering or leaving storage, or both.

however, has welded many of the Chicago establishments into market organizations of wide extent — in a few cases even national in scope.

The retail trade has been practically immune to chain-store development, consumers' coöperation, public markets, or dealers' coöperative buying. It is charged that the organization of the trade is roundabout, contains too many middlemen, and entails needless expense.

3. This marketing system has mediated a price situation which has made possible the expansion and prosperity of many new producing fields and at the same time has enabled Chicago's growing population to supply themselves not only with the more staple commodities of long-established use, but also with new wares or better qualities and in seasons at which they were formerly not accessible. At times the marketman has squeezed the consumer or exploited the producer; he has even lapsed into fraudulent dealing upon occasion. The man who deals on his own account sometimes makes a plump profit as a result of a favoring turn of the market, but he also suffers severe losses when conditions do not develop according to his expectation.

The retailer in the well-to-do neighborhood generally charges all the traffic will bear in view of the consumer's ability to pay, but in poorer communities the close competition of peddlers and the bargaining proclivities of frugal patrons keep prices close to the minimum set by the expenses of the business. From time to time charges are made in the newspapers or elsewhere that there is a "food trust" in the Chicago produce market or that the market is manipulated and prices controlled. The merchants are accused of dishonesty in their dealings with patrons. In general, these charges do not appear to be well founded.

4. The Commission which attacked the problem of bettering Chicago's market system failed to accomplish

anything important or even to gain a real understanding of the problem. General movements toward "eliminating the middleman," through coöperative organization or express and postal selling have had slight effect upon the city dealer, though producers' coöperation has done much to modify and limit the sphere of the country shipper.

What shall be one's judgment upon these conditions will depend in large part upon his general outlook and temperament — upon whether his eyes be adjusted to seeing the doughnut or the hole which it surrounds. A recent writer, in discussing the general condition of which Chicago's produce market is a part, has referred to the system as a "burden to society," [1] while one of his reviewers "prefers to look on the marketing system as a boon to society; whatever its defects, he feels that it is remarkable that any system has developed at all which makes it possible to market Florida strawberries or California cantaloupes in New York City, at such a cost as to make it worth while for the growers in Florida and California to raise these products, and to make it possible for consumers in New York to buy them." [2] A similar willingness to recognize the real achievements of existing agencies has animated the present writer. He does not find the Chicago produce market more crude than many other parts of our economic machinery, though the task which it undertakes is doubtless one of the greatest difficulty, and the results attained fall far short of our ultimate ideals.

In the same way it may be said that we cherish an ideal of a locomotive which shall deliver at the drawbar a tractive force somewhat commensurate to the potential energy

[1] Adams, *Marketing Perishable Farm Products*, Columbia Studies, vol. LXXII, no. 3, chap. III.

[2] Weld, *Journal of Political Economy*, vol. XXIV, p. 812.

of the coal which it consumes. But we do not call present engines a burden to society because of the fact that they make only from two to four per cent of the thermal units of the coal effective at the drive-wheel. We rejoice in the marvelous performance of the latest articulated compound locomotive even though it does, if you please, "waste" ninety-six and a half per cent of the coal which it consumes. At the same time we keep a sharp lookout for the means of introducing new economies and greater efficiency into the engine design of the future.

In like manner, this inquiry has shown that the men of the Chicago produce market have built up a complex and powerful machine capable of performing marketing feats which only a short time ago would have seemed impossible. This great system we should neither ignorantly despise nor blindly worship. Imperfect though it is, it is nevertheless rendering a mighty service; remarkable though it is, we should refuse to admit that it is impossible to make it better.

Ever since produce dealing became a distinctly differentiated line of trade in Chicago there has been a slow evolution of needs and the means of meeting them, which has necessitated continuous but gradual modification of the marketing organization. The methods of the past have proved inadequate to the needs of our present population, manner of life, and conditions of production. This is not, to be sure, a sudden crisis, but the rising cost of living in recent years has made the demand for improvement more insistent. Dealers in produce are challenged to show that their task of provisioning the city is being performed as cheaply and efficiently as our resources and the state of our knowledge will permit. Following the extension of scientific methods of study and organization into the whole field of business, we have seen higher and higher standards of efficiency realized in manufacturing, transportation, and some lines of marketing. The public grows

impatient, therefore, if any crudities of an older day are allowed to survive in a business so vital to its welfare as is the supplying of daily vegetables, fruits, and dairy products to the city's population.

The process of readjustment should be regarded as a continuing progress or an advancing ideal, not as a fixed point to be reached and held. Certain changes are now going on about us and have only to be recognized. Others can be pretty safely predicted. Still others, of whose coming we are not so well assured, may profitably be outlined and examined, for there is prudence in thinking through the plans some steps in advance of actual performance. Such a discussion will at least furnish one set of concrete suggestions for criticism.

There is a popular tendency to overestimate the extent of certain of these defects. Still, the existence of each in some measure must be admitted, and that fact is ample basis for a discussion of remedies.

1. Several years of ineffectual agitation for the construction of an adequate wholesale terminal market go far toward indicating that the merchants cannot get together and build a market of their own or even coöperate with any outside terminal enterprise. Their factional differences and shortness of vision caused them to lose quite an exceptional opportunity when they refused to take up with the offer of the Produce Terminal Corporation.[1]

Likewise, the municipal government has shown no capacity to view the problem as one of constructive city policy in which it might play a truly helpful part. The Municipal Commission which made an abortive begin-

[1] The district in which they proposed to locate the produce market (then relatively undeveloped) has since been building up at a rapid rate. After South Water Street turned down the proposition, the tract which had been offered to them was snapped up by other interests, and warehouses of an estimated value of more than $20,000,000 are being erected for the use of Montgomery Ward & Company, the Great Atlantic & Pacific Tea Company, and other large and progressive merchants.

ning was followed by no more serious study of the city's needs and the means by which her people might best be served. Even where particular phases of the problem have forced themselves upon the attention of the City Council, that body has obstructed rather than opened the way to improvement. When the Santa Fé Railway desired to construct a produce terminal adjacent to its freight yards at Eighteenth Street, the Council demanded a prohibitive price for the streets and alleys which would have to be vacated for the purpose and required electrification of the company's lines within the city limits.[1] They have done nothing effective toward making the project for dock sales on the municipal pier a reality. Neither unorganized public opinion nor the factionally organized dealers can bring about a break from South Water Street. The city government could both assist the development of better facilities elsewhere and speed the departure of the business from its present lodgment.[2]

[1] Upon this incident a prominent Chicago financial journal comments as follows: "The only ones who lose by the shelving by the Council Committee of the Santa Fé fruit terminal project are the people of Chicago, but it seems they are growing accustomed to it. The Santa Fé was asked $4.50 a square foot for land worth $2 or less a square foot. The road was willing to pay a fair price for the land. The idea of electrification was a subterfuge; . . . The Santa Fé should have had its ordinance." (*The Economist*, April 7, 1917, p. 761.)

[2] Late in November, 1917, the Chicago Plan Commission reported a recommendation for the transformation of South Water Street into a great two-level thoroughfare, 110 feet wide, the principal downtown link for east-and-west traffic in the proposed new street system. This would cost about five and a half millions and would do away with all buildings on the north side of South Water Street. The upper level of the street would be used for light traffic, and it is estimated that it would divert one-third of the automobiles which cross Rush Street bridge daily (over 6,000 in number) and distribute them to the various streets of the loop district. The lower level would carry heavy traffic, would run under Michigan Avenue and connect the lake-front transportation, warehouse, and manufacturing district with the railway and industrial section of the West Side. The river side of this street level would be developed as a great rail and water terminal. The Commission says: "South Water Street is potentially one of Chicago's most valuable street assets. Nature

All this, however, touches but one of the two great problems which concern the market-places. The other is that of the proper decentralization. There has arisen a feeling in some quarters that Chicago does not have a sufficient number of jobbing markets properly equipped to serve the small retailer, the restaurant buyer, and even such private consumers as purchase in considerable quantities. Such subsidiary market centers would handle both the products of near-by farms and those which reached the city by rail from more distant sources. The first of these classes is much the less important, since local conditions preclude any very extensive development of producing areas within hauling distance of Chicago.[1] Where any considerable number of growers have goods which seek an outlet here during the season, the informal arrangement illustrated by the Seventy-first Street market readily adapts itself to the need and little, if any, special equipment is called for.[2]

As far as goods that come by rail are concerned, judgment as to the needs of such jobbing points as Sixty-third Street, Kensington, Lincoln Avenue (or others to be established) would depend upon the general market policy. If it were held that the city's market work could best be carried on through several such coördinate markets scattered about over the city, then plans must be made to

has made it the logical north boundary of the loop district. As a produce market South Water Street is doomed. Its removal to some location outside the loop will reduce loop traffic 13,814 vehicle trips a day now required to serve the 6,133 retail grocers. All told, 15,714 vehicle trips a day will be removed, reducing loop congestion 16 per cent." While this project will probably not move forward more rapidly than other parts of the Chicago Plan, the South Water Street merchants should take it into serious account in their plans from now on. Incidentally it may be mentioned that one big fruit concern has just bought itself roomy quarters on the north bank of the river, running west from La Salle Street.

[1] The reasons are discussed on pp. 47, 171.

[2] The city might offer the use of other streets and of vacant land at strategic points and, if the trade promised to be permanent, erect sheds to protect the farmer and his goods from the elements.

provide the equipment of a wholesale terminal at each of these places. But if it be recognized that there should be one great wholesale center as the focus of supply and demand forces and point of contact between this and all other markets, then these neighborhood centers fall into a subordinate rôle and do not attain, except in the case of a few particular commodities, even to the dignity of car-lot markets. Such is the situation to-day and it should likewise be the pattern of the future. Only so can we avoid a wasteful and confusing dispersion of the price-making agencies and a costly duplication of equipment. Chicago should remain one market in which supplies and values are equalized through a single clearing-house — a paramount wholesale market.

But if there is to be such a centralization of the car-lot wholesaling of produce, there must be some equipment for cheaply distributing supplies over the city. This the motor truck is furnishing, and its coming has undoubtedly checked the growth of neighborhood wholesale markets.

Attention has already been called to the trucking business and its services, but the future will doubtless work still greater improvement in the system. This might well take the direction of using larger trucks and warming them in winter and cooling them in summer. It is likely also that good results might be secured through a consolidation of the numerous small concerns, perhaps even the organization of a single delivery service for all dealers in the central produce district.[1] This would avoid present delays in making up loads, the hauling of fractional loads, and the covering of the same route by many trucks at the same time. The Produce Terminal Corporation proposed to establish a refrigerated motor-delivery service, running

[1] The Shaw taxicabs and the Parmalee transfer service have already demonstrated that such service can be organized both efficiently and profitably on a large-scale basis. Consider also the way in which the great baking companies deliver their product to retailers scattered all about the city and its suburbs.

on regular schedule and equally available to all its tenants. This plan could well be taken up if the plan of dock sales is put through, either the merchants or some outside corporation financing and directing the enterprise.

The character of equipment and methods of handling goods used by retailers naturally depend upon the way in which their business as a whole is organized, and will appear as we proceed with that part of our discussion.

2. The Chicago market is a conspicuous example of the fully developed "middleman" system against which so much complaint has of late been directed. Whatever burdens the roundabout method imposes fall upon Chicago's trade; whatever merits the system possesses she may claim in full measure.

Some of the ways by which the middleman system has grown up through the differentiation of marketing functions in the hands of specialized agencies have been pointed out. Such division of labor means increased efficiency in the business of marketing in quite the same way that it does in other lines of economic activity. From Böhm-Bawerk's classic discussion of the superiority of the roundabout over the direct method to Weld's excellent exposition of the gains from specialization in marketing, economic literature is strewn with evidences that society's progress from crude to efficient methods of carrying on its economic life has been accompanied by the multiplication of processes and the appearance of new intermediaries — possessed of special training and equipment — between the one desiring goods and the source from which the satisfaction of his need must come. It is naïve in the extreme to suppose that the efficiency of a given marketing system varies in inverse ratio to the number of types of middlemen engaged in it.

The new market agencies added from time to time have been enabled to gain a foothold only by rendering a service in return for which they could secure a wage or

profit. To admit this historical justification, however, does not constitute a valid argument for their continuance through all time. They have no vested interest in their job or its emoluments for a moment longer than the time when we can dispense with them. If we can devise a simpler market mechanism all superfluous wheels and levers must go. Mr. Edison is credited with having said that the best way of accomplishing a mechanical task is the simplest, and is the last and hardest to find out. Presumably the same may be said of socio-economic undertakings.

But in looking hopefully forward toward simplicity and economy in marketing arrangements we must not fail to distinguish between real and merely apparent economies. If, for example, Chicago's population should elect to eat only those varieties of fruits and vegetables and those poultry and dairy products which can be produced in northeastern Illinois, they might shorten the market chain to one or two links. But the apparent gain in cost of marketing would be more than offset by the sacrifice of those advantages in the way of quality, seasonal distribution, variety, or lower cost of production which led to the development of present sources of supply.[1] Such a course would not be a solution of the marketing problem, but merely a confession of inability to solve it. Mr. Edison is not looking for tallow-candle economy, but for the most efficient system of electric lighting; we are not looking for village-store simplicity, but for the maximum of commercial efficiency in the second largest city of the United States. The Chicago market problem is that of feeding a larger and larger population as the years go by and, doubtless, upon a more varied list of products from ever more distant and more widely scattered sources.[2]

To carry on this task economically the units of opera-

[1] See Adams, *Marketing Perishable Farm Products*, chap. VI.

[2] Direct selling through the agency of the parcels post or express company touches, as has been shown, only the fringe of this undertaking.

tion must be large enough so that transportation shall be in car-lots or train-loads; that technically efficient grading, dressing, packing, and pre-cooling plants may be provided; and that the distribution of supplies may be controlled widely and flexibly in accordance with extensive knowledge of market conditions. These needs fall in roughly with the specialization of various market functionaries (such as concentrator, shipper, receiver, jobber). But the experience of the business has demonstrated that lesser functional subdivisions are constantly appearing and offering opportunities for the increasing of efficiency through further specialization. Such minor functions[1] make up but a rather small part of a given dealer's business and so do not make possible the development of that part of his organization up to the unit size necessary for maximum efficiency. It is then in order for a new market specialist to emerge and, undertaking this minor function for many patrons, perform it at a minimum cost.[2]

[1] For example, dressing poultry in the central market, repacking tub butter in prints, holding goods in storage, delivering goods from wholesaler or jobber to retailer, making "ladles," or canning eggs.

[2] Such gains in efficiency, however, are in part offset by an extra handling of the goods and the high clerical and supervisory expense due to the breaking-up of the business among many separate concerns. The second step toward efficiency, then, is to be found in the reassembling of these specialized departments into a consolidated business of sufficient size to employ their equipment and organization completely — in time, very likely, to enlarge it. Such an integrating movement may take the form of a producers' coöperative enterprise. Or it may result from the extension of the city dealer's sphere of activities back to absorb the country shipper's function and perhaps even undertake the work of production. A third type of such consolidation is exemplified by the centralizer creamery, which buys cream direct from the farmer and delivers its advertised product to the retailer, and the great meat-packers, whose country representatives buy butter, eggs, and poultry from local sources and deliver them (along with their meat products) to retail merchants. The prosperity of these organizations indicates that in gearing the several parts of the system together into one whole they have effected those savings of which profits are made. Merchants in these lines fear and resent their competition.

All three of these integrated agencies have decided that they could not safely or profitably invade the field of retail selling and, in most cases,

All that has been said thus far relates primarily to wholesale phases of the business. In spite of the fact that the retail part of the market system is the one in which the heaviest expenses and losses are incurred, it is the place where the least progress has been made toward improvement. This is probably due to the fact that these costs are inherent in the business, not adventitious abuses; retailing after the modern pattern is a more elaborate job than wholesaling. If consumers cared to simplify that pattern they could lower the cost of its execution. If purchasers would deliver their own goods, carry their own credit, and not insist that the one store of their choice carry every kind of product, prices could be lowered, because the patron would be buying less service along with his goods. How far either the chain-store system or consumers' co-operation can help is as yet uncertain. Chicago has been slow to try either.

3. There is really little practical danger that a trader's corner of perishable food products can be effected to the harm of Chicago consumers, nor are those dealers more prone to pursue a policy of ruthlessness when they find themselves in a strong position than are the rest of us when we have goods or services to sell.[1] More and more,

have begun their labors with the shipper of wholesale lots rather than the producer of retail quantities.

[1] The reader should keep a clear distinction in his mind between perishable products which must be sold promptly upon arrival, and those, only semi-perishable, whose rate of movement may be controlled through storage. He should distinguish also between the mere broker and the powerful principal who stands back of him and may not be known as a dealer at all. The writer is convinced that the speculative operations of the marketmen themselves are of the innocuous sort described in the text. But it is an open secret in the trade that the great packers use the small dealers to carry out for them manipulative operations of a powerful and harmful sort. These concerns also have a large egg and poultry business and threaten to get into fruit and vegetable lines. It seems clear that truly efficient methods will be promoted by the passing of the business into their hands or by the appearance of giant produce companies similar to the meat packing corporations. However, we must remember that in that event we must have adequate agencies of control. But even at the present time that problem confronts us.

as the farmer gains in business insight and financial resources, does he retain control of his goods and derive whatever profits may result from local or general shortages. But if, taking account of these facts and after offsetting the dealers' losses against their gains, the public shall yet believe that the men of the market possess an evil power over prices, what remedies can they offer?[1]

First, the attack might be launched directly against prices themselves through a program of legislative or executive price-fixing. Such a course would mark the recrudescence of mediævalism, the graveyard of economic sanity. The writer refuses to believe that this procedure will be resorted to save perhaps in time of war, when sounder but slower methods must for a time be laid aside.

Secondly, we might seek to destroy the means by which control over prices is brought about. This would strike at all strong forms of organization in the business and would embrace coöperative enterprise and State agencies along with the rest. This is the policy which has wrought so little benefit in the industrial field that after years of experimentation we seem to be on the verge of abandoning it. It destroys the power to achieve good results as well as that which may be used to harm; it roots up the wheat along with the tares. If we were to begin it we should doubtless soon draw back.

Sound judgment dictates that, for the tremendous marketing tasks of the future, we must continue to utilize the powerful system which has thus far evolved out of the growing needs of the business. Not only that, but we must welcome yet stronger agencies, of wider scope and more complete organization. Neither ignorance nor fear should cause us to deprive ourselves of the mightiest machinery

[1] In all this talk of market monopoly we should not forget that consumers likewise have a species of monopoly power over prices through their control of the demand side of the market. This is painfully evident to the trader who has incorrectly judged the future trend of the market or to those who are made the target of a boycott.

which we can devise and fashion. But that this giant engine shall be an agent of public service and not of public danger we shall doubtless need for it some kind of regulation. The form which that should take will be discussed in the closing section, after the remaining criticism of existing conditions has been examined.

4. As for the last count in the indictment, there can be no denying that there have been all too many cases in which produce merchants in Chicago (as elsewhere) have practiced fraud upon the producer or shipper who dealt with them.[1] This fact may be traced to several causes: the wide separation of the two parties to the transaction, the many vicissitudes attaching to the business of handling perishable food products, the ease with which men of small means and no commercial standing can enter the business. Where the shipper is far away and many different qualities of product are dealt in, where numerous accidents occur in transit and market prices fluctuate rapidly, the merchant is inevitably led into frequent and strong temptation to take advantage of his opportunities for sharp practice. How may the business be delivered from this evil?

There are three methods: (1) the shipper may protect himself by having his own representative in the market; (2) the trade may purge its own ranks and control the actions of its members; (3) some Government agency may undertake to regulate the business.

When the formation of a coöperative association or the growth of a private business gives rise to a large tonnage, it becomes entirely practicable for an officer of the shipping organization or some other trained representative to be

[1] Likewise, the produce merchant has been victimized by the retailer and he, in turn, by his credit customers. A poultry commission merchant with whom the writer was well acquainted asserted that the Jewish peddlers and small shopkeepers were the only class on whom he never lost. They paid cash or took short credits, which they met promptly. The elaborate wiles to which some grocers and butchers would resort in order to beat the dealer were almost unbelievable.

sent to the market for the period of the shipping season. It is his business to inspect goods upon arrival and see that returns are in accordance with the quantity and quality of the goods and the condition of the market. In order to serve smaller shippers, whose volume of business will not justify the expense of a representative of their own, certain professional agencies have grown up to render the same sort of service on a fee basis. Also, if the shipper elects to handle his goods through one of the great distributing organizations he secures such personal representation in the market and yet can, if he desires, retain control over his goods and determine his own selling policy.

This brings us close to our second point. If all marketing were done through established and responsible concerns, who have built up a substantial business on the basis of honest and skillful service, false returns would soon be a thing of the past. The Chicago market has moved a long distance in this direction, but for a long time (and perhaps always) we shall continue to have many small firms who get hold of a little capital and aspire to pass from wage positions in the produce business to an independent establishment of their own. Among them are many upright and ambitious young men who make good from the start and whose methods are above reproach, but others among them go in on a "shoestring," with the intention of making a "clean-up," or else are driven by the inadequacy of their resources in a time of emergency to try to avert disaster by resorting to shady methods. From these classes come the produce "crooks" who have done so much to wreck the reputation of the whole trade.

Mention has already been made of efforts by national associations, trade papers, and other voluntary influences to cleanse the business of such characters and to raise the standards of dealing. More drastic action is needed, however, to the end that it would be rendered impossible for any one to hold himself out to the public as a trader upon

the Chicago market without submitting his actions to the rule of some supervising body which, in admitting him to its membership, certifies to his business standing and financial ability to make good any losses which might be due to his misconduct. In the great stock and bond markets, grain and cotton and coffee markets, and live-stock markets, this has been found the only expedient method of safeguarding both the public and the traders in their transactions with each other. The nature of the produce business is such as to create an even stronger demand for such safeguards, and a similar plan of organization should be adopted to meet this need.

Of course, such supervision of trading can hardly be undertaken unless there be a restricted market-place where transactions take place, such as the floor of a grain exchange or the enclosures of a stockyards company,[1] but this could readily be effected in Chicago through the extension of the Butter and Egg Board to include the Live Poultry Board and organize the whole trade in dairy and poultry products, and by the formation of a fruit and vegetable exchange. This would be greatly facilitated by the establishment of the system of dock sales now being advocated. Indeed, this general scheme was tentatively broached in connection with the Produce Terminal Corporation's project for a modern market-place. They did not seem to find, however, that the idea of a responsible and regulative organization met with any very ardent response from the merchants.

In case the municipal pier were to be used for produce selling, probably any kind of restriction of the membership or methods of the trade could be imposed only with the sanction of the city authorities. But likewise, the city

[1] The work of the Chicago Live Stock Exchange furnishes an instructive example of what might be accomplished. This is a self-regulating organization of livestock brokers and commission men. They have been very successful in enforcing uniform charges and fair and uniform methods of dealing at the Stockyards. The initiation fee is $1500.

or the state government may quite likely act upon their own initiative if the merchants fail to take adequate steps of their own to regulate their business. Such a movement is meeting with approval elsewhere, and is urged upon the ground that the marketing of foodstuffs is a business of such a distinctly public-service character that it properly comes within the sphere of government regulation. Minnesota passed such a law in 1899, but there was no considerable spread of the movement until some years later. In 1913 New York passed the Cole Law,[1] and at once a flood of highly imitative measures appeared in other States.[2] In Illinois, the so-called Thomason Bill was urged upon the Legislature of 1915.[3] It provided for the licensing of commission merchants and bonding them for the proper performance of their function as representatives of distant shippers.[4]

[1] See Appendix H.

[2] They were passed in Alabama, Washington, Colorado, and Kansas.

[3] The measure was killed in committee, as was a similar bill in 1917.

[4] The abuses which it was designed to prevent were thus enumerated in the bill:—

The secretary may decline to grant a license or may revoke a license already granted where he is satisfied of the existence of the following cases or any of them:—

(*a*) Where false charges have been imposed for handling or services rendered.

(*b*) Where there has been a failure to account promptly and properly or to make settlements, with intent to defraud.

(*c*) Where there have been false statements as to conditions, quality or quantity of goods received for sale on commission when the same might be known on reasonable inspection.

(*d*) Where there has been false or misleading statement or statements as to market conditions with intent to deceive.

(*e*) Where there has been a combination or combinations to fix prices.

(*f*) Where the commission merchant directly or indirectly purchases the goods for his own account without prior authority therefor or without notifying the consignor thereof.

(*g*) Where the commission merchant is in bankruptcy or insolvency may shortly occur.

(*h*) Where there has been a continued course of dealing of such a nature as to satisfy the secretary of the inability to properly conduct the business of commission merchant, or of the intent to deceive or defraud the shippers.

(*i*) Where the licensee neglects to file a new bond when notified by the secretary that the bond already filed is unsatisfactory.

The license fee was set at ten dollars a year and the amount of the indemnity bond at two thousand dollars. The administration of the law was to be placed in the hands of the Secretary of the State Board of Agriculture, who "shall have power to investigate upon the verified complaint of an interested person, also to make an investigation irrespective of whether or not a complaint is filed, the record of any person, firm, exchange, corporation or association applying for a license, or any transaction involving the solicitation, receipt, sale or attempted sale of farm produce on a commission basis, . . . and for such purpose may examine at the place of business of the licensee, that portion of the ledgers, books of account, memoranda or other documents, relating to the transactions involved, of any commission merchant, and may take testimony therein under oath." The commission merchant must make returns to the shipper within forty-eight hours after receipt of the goods unless some other arrangement has been agreed upon, and must accompany his "account sales" with a complete record of the transaction. "The burden of proof shall be upon the commission merchant to prove the correctness of his accounting as to any transaction which may be questioned." Infraction of the law constitutes a misdemeanor, punishable by a fine of not less than twenty-five dollars nor more than five hundred dollars.

This bill is more drastic than the Cole Law in that it would require the commission merchant to keep a complete record of "the date and time of sale, condition of the goods upon receipt, and the name and address of the person to whom the goods are sold or his license number where the same can be secured with reasonable diligence." The inclusion of a similar provision in laws recently passed in other States has caused the commission merchants to complain that the amount of red tape involved in such a procedure would be prohibitive. In Kansas it was asserted

that commission dealing would no longer be practicable under the law, and some merchants actually instructed their customers not to consign any more goods to them. The arguments against such a requirement are well summed up by a New York dealer, inspired by the proposal[1] to insert such an amendment into the Cole Law. His arguments would apply equally to the Chicago market. He says: —

1. Fruits and produce sold in the New York market are sold to established tradesmen, principally, and on a credit basis. All these sales are recorded by the commission merchant and could be furnished and would be furnished to any inquiring shipper. However, some sales, and most sales of low grade or out of condition goods, are made to peddlers, wagon venders, or other classes of buyers with no particular place of business, and with names (mostly foreign and unusual) that would be next to impossible to record, and if recorded would mean nothing. This class of trade is nevertheless very necessary and essential for the selling of these less desirable foods. Should these foodstuffs that are sold for cash have to be sold to established tradesmen to be taken to stores and resold, the selling prices would necessarily be lower in order that the store merchant could make sufficient profit to cover his overhead costs and his legitimate profit. This is a very strong point which shows clearly that the shipper of these consigned goods would realize less money than as though his selling agents were permitted to sell for cash when conditions necessitated.

2. Should salesmen engaged in selling large quantities of food products, on arrival, have to keep a record of all their customers, it would require two and sometimes three recording clerks with each salesman continually. This would increase the cost of handling, and commission charges would be greater. This fact, too, would be to detract from the net returns of the shippers.

3. This proposed amendment if enacted into law would work an injustice to the merchant in this — his customers would be made public property. Years may have been spent in establishing a distributing trade, both domestic and foreign, only to be handed over bodily to any shipper, from another state or another city, who might consign to a commission merchant a car-

[1] In the legislative session of 1917.

load of fruit or vegetables with no purpose except that of learning, through the medium of account sales, the address of particularly desirable customers.

But even admitting the force of these objections to the particular provision of the bill, it does not follow that the whole plan of licensing and bonding commission merchants is undesirable and unnecessary. The argument that it destroys the commercial value of the established dealer's reputation and makes all equal is specious, and to point out that other lines of trade are not so dealt with means nothing if it is shown that the conditions surrounding this particular business are such as to make extra safeguards expedient. A law of the New York type would doubtless be serviceable, but is not indispensable.[1] We should not forget that a very large volume of business is carried on by other than the commission method and that these transactions are subject to many of the same abuses that sometimes occur in the case of consigned goods.[2] It is with an idea of covering both classes of trade that voluntary organization of the business in the form of an exchange is here advocated, as well as for the reason that the development of self-government from within is likely to produce more permanent and efficacious results than is coercive legislation. Such a commercial body, democratic in form

[1] A bill of somewhat different character was urged upon the State Legislature late in the spring of 1917, but came to naught. (See Appendix I.)

[2] One of the most serious abuses at the present time is that of "rejections." A dealer orders goods from a shipper, counting upon an advance in price in his market; the price fails to advance, or even declines; and the dealer refuses to accept the shipment, trumping up some specious charge that the goods are not up to specifications. When the goods are perishable or the shipper far away he may be forced to accept any offer the dealer will make rather than run the risk of a lawsuit in a distant city. The Bureau of Markets has begun the establishment of inspectors in the principal markets, to whom the shipper may appeal for an official inspection to establish the grade of the goods. It is likely that the findings of these inspectors will carry enough weight in court to protect the shipper against improper rejections, but the dealer should also be given the right to demand an official inspection.

and with by-laws and trading rules gleaned from experience and representing the best sentiment and practice which have evolved within the business itself, would be built upon the solid rock. As soon as it had become established and its policies known, the mere fact of membership would become a guarantee of the standing of all such as were admitted. This puts shippers and dealers upon a definite footing of mutual responsibility and makes a "seat" in the exchange or the trading privileges under its control an asset too valuable to be jeopardized by infraction of its rules. Thus the trade group is equipped with sanctions and penalties by which to make its regulations effective.

It is evident, however, that such an organization would protect its members in dealing with one another and distant shippers in dealing with traders in this market rather than undertake to look out for the interests of consumers as such. This latter interest has in recent years become somewhat clamorous in urging its own case, both here and elsewhere. Two agencies (not mutually exclusive) have been suggested — public markets and marketing commissions, bureaus, or departments.

Neither the achievements of other cities which have tried municipal markets[1] nor the economy and efficiency with which Chicago's municipal government has put through those business enterprises which they have undertaken (such as paving or garbage disposal) are calculated to encourage the sane man to turn over to them the task of ordering his food markets. The melancholy outcome of the market activities begun in 1914 adds the last solemn warning against turning from the merchant to the politician in our hour of need.

[1] "I have recently been in correspondence with the market directors of about a dozen other States, and the reports which they make to me regarding the efficacy of free markets for bringing together producer and consumer are not encouraging." (*First Annual Report*, State Market Director of California (1916), p. 67.)

On the other hand, a mere do-nothing policy is by no means to be advocated. The city must make conditions favorable to the proper functioning of our market system. It should see to it that foodstuffs find access to the city by the readiest possible means. This is now fairly well done for the small supplies of near-by producers, but very badly done for those which come by rail (or boat). If the municipal pier cannot be used as a produce terminal, adequate facilities should be provided elsewhere. The necessary building would probably be undertaken by the railroads (witness the recent volunteer projects of the Chicago Junction Railway and the Santa Fé Railway), but the city government should use its authority and influence to make certain that the work is undertaken at an early date and upon a scale adequate to our needs and fitting into the general plan of city development. As for the building of city markets for jobbing and retail purposes, there is no more reason why the municipal government should undertake to furnish them or to take active marketing functions upon itself than that it should build shoe stores or operate restaurants for its people.

While it would be impossible for any one to say at the present moment what should or should not be done in the future in the way of directing and facilitating the building and equipping of adequate markets for the city, yet it is of the utmost importance that the tremendous stake which the public has in that development be recognized. Further, that interest should be given profound and sober study and a favorable opportunity for making its needs and desires (at present more or less inchoate) intelligible and effective in the shaping of our market arrangements. Popular clamor based upon gross misunderstanding of the actual operation of the market system gets us nowhere, or it even threatens from time to time actually to set us back instead of forward.

On the other hand, a market commissioner whose office

became the permanent receptacle for complete and accurate information about the market and its operations, a permanent and always available source of reliable information, and an aggressive but fair and intelligent agency through which every complaint could be investigated and disposed of, this would be a form of municipal activity which would go far toward keeping our market system free from undeserved attacks and yet not free to become selfish, inefficient, or corrupt. It should be a correlating agency, aiming to get into relations of mutual understanding and trust with all the various interests now at work in the market and to bring about between them a closer friendship and a greater degree of efficiency.

This would also mean coöperation with all other city,[1] state, and national bureaus whose field of work they touched. The Bureau of Markets of the United States Department of Agriculture has already done valuable work in the dissemination of market information, the standardization of grades and packing, and certain improvements in market organization and practice. The sanity of their viewpoint and the thoroughness of their methods have won the respect and support of producers and traders alike. But their position as a national agency renders it impossible for them to deal adequately with the many local problems which are peculiar to particular fields of production. This fact and the magnitude of the task have impelled them to call upon the state governments to establish state market bureaus — a call to which twelve states have thus far responded. Such agencies will in time, if they coöperate intelligently with the private enterprise already at work upon the problem, bring about all the improvements in quality and reduction in wholesale prices of our food products that technical and commercial efficiency can bring about. But their work is primarily with producers and shippers, and the interests of Chicago's

[1] Particularly the Department of Health.

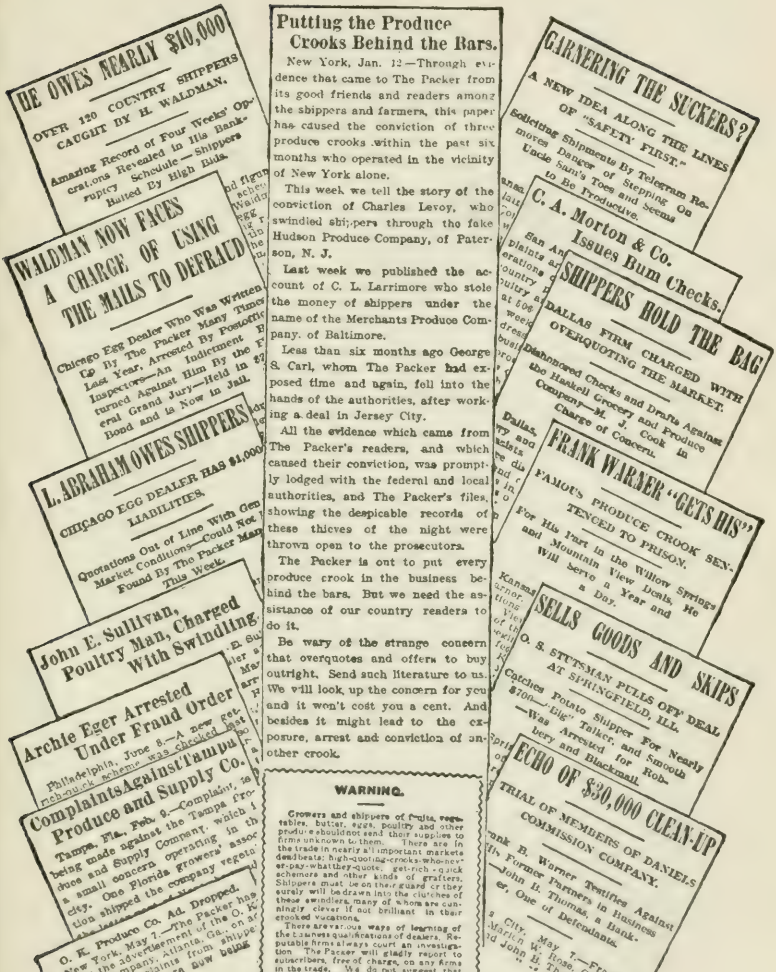
great consuming public demand the specific attention of a city market commissioner.[1]

To be sure, there has been of late such a piling-up of commissions, bureaus, and departments, many of which have made but slender return for the money expended upon them, that one may well hesitate to make this recommendation. What has been said in praise of a city market commissioner has been premised upon the idea that the man to hold the position would be one of broad mind, thorough training, and a zeal for his task. It has presupposed, too, that his tenure of office would be sufficiently permanent so that a constructive policy could be worked out and carried through. If the position is to become a berth for political appointees or doctrinaire reformers, it had better never be created.

[1] In the course of his labors the commissioner and his staff would naturally become expert and reliable judges of what legislation might be needed and of what form it should take. Besides securing the introduction of a few good measures, their efforts should accomplish the death of many foolish proposals. Likewise, they would be especially serviceable in seeing to it that ordinances once passed (as well as state laws in whose passage they might be instrumental) were enforced. In opposing the "commission-man law," the merchants were prone to resort to the argument that it provided no safeguards not already set up in our criminal code. But we must remember that the cases in which these general laws are to be applied to the produce business are often of a highly special character making it desirable that the preliminary investigation and the decision as to whether or not to bring suit should rest in the hands of an officer possessed of technical familiarity with the business, not merely equipped with legal knowledge. Also, everybody's business is nobody's business, and in the absence of a market official, market matters get but casual attention.

APPENDICES

APPENDIX A



HE OWES NEARLY $10,000

OVER 120 COUNTRY SHIPPERS CAUGHT BY H. WALDMAN.

Amazing Record of Four Weeks' Operations Revealed in His Bankruptcy Schedule—Shippers Hulled By High Bids.

WALDMAN NOW FACES A CHARGE OF USING THE MAILS TO DEFRAUD

Chicago Egg Dealer Who Was Written Up By The Packer Many Times Last Year, Arrested By Postoffice Inspectors—An Indictment Returned Against Him By the Federal Grand Jury—Held in $2,000 Bond and is Now in Jail.

L. ABRAHAM OWES SHIPPERS

CHICAGO EGG DEALER HAS $1,000 LIABILITIES.

Quotations Out of Line With Gen Market Conditions—Could Not Be Found By The Packer Man This Week.

John E. Sullivan, Poultry Man, Charged With Swindling

Archie Eger Arrested Under Fraud Order

Philadelphia, June 8.—A new fake mail-order scheme was checked last

Complaints Against Tampa Produce and Supply Co.

Tampa, Fla., Feb. 9.—Complaints being made against the Tampa Produce and Supply Company, which is doing a general operating in the small cane Florida growers' association shipped the company

O. K. Produce Co. Ad. Dropped.

New York, May 7.—The Packer has cut out the advertisement of the O. K. Produce Company, Atlanta, Ga., on account of complaints from shippers. These complaints are now being investigated.

Putting the Produce Crooks Behind the Bars.

New York, Jan. 12—Through evidence that came to The Packer from its good friends and readers among the shippers and farmers, this paper has caused the conviction of three produce crooks within the past six months who operated in the vicinity of New York alone.

This week we tell the story of the conviction of Charles Levoy, who swindled shippers through the fake Hudson Produce Company, of Paterson, N. J.

Last week we published the account of C. L. Larrimore who stole the money of shippers under the name of the Merchants Produce Company, of Baltimore.

Less than six months ago George S. Carl, whom The Packer had exposed time and again, fell into the hands of the authorities, after working a deal in Jersey City.

All the evidence which came from The Packer's readers, and which caused their conviction, was promptly lodged with the federal and local authorities, and The Packer's files, showing the despicable records of these thieves of the night were thrown open to the prosecutors.

The Packer is ont to put every produce crook in the business behind the bars. But we need the assistance of our country readers to do it.

Be wary of the strange concern that overquotes and offers to buy outright. Send such literature to us. We will look up the concern for you and it won't cost you a cent. And besides it might lead to the exposure, arrest and conviction of another crook.

WARNING.

Growers and shippers of fruits, vegetables, butter, eggs, poultry and other produce should not send their supplies to firms unknown to them. There are in the trade in nearly all important markets dead beats; high-quoting-crooks-who-never-pay-what they-quote; get-rich-quick schemers and other kinds of grafters. Shippers must be on their guard or they surely will be drawn into the clutches of these swindlers, many of whom are cunningly clever if not brilliant in their crooked vocations.

There are various ways of learning of the business qualifications of dealers. Reputable firms always court an investigation. The Packer will gladly report to subscribers, free of charge, on any firms in the trade. We do not suggest that you rely upon our reports alone—ask others and satisfy yourself. There is no need of dealing with crooks; there are too many honest people in the fruit and produce trade. Careless shippers are responsible for and enable the crooks to flourish. THE PACKER

GARNERING THE SUCKERS?

A NEW IDEA ALONG THE LINES OF "SAFETY FIRST."

Soliciting Shipments By Telegram Removes Danger of Stepping On Uncle Sam's Toes and Seems to Be Productive.

C. A. Morton & Co. Issues Bum Checks.

SHIPPERS HOLD THE BAG

DALLAS FIRM CHARGED WITH OVERQUOTING THE MARKET.

Dishonored Checks and Drafts Against the Haskell Grocery and Produce Company—M. J. Cook in Charge of Concern.

FRANK WARNER "GETS HIS"

FAMOUS PRODUCE CROOK SENTENCED TO PRISON.

For His Part in the Willow Springs and Mountain View Deals. He Will Serve a Year and a Day.

SELLS GOODS AND SKIPS

O. S. STUTSMAN PULLS OFF DEAL AT SPRINGFIELD, ILL.

Catches Potato Shipper For Nearly $700—"Big" Talker and Smooth —Was Arrested for Robbery and Blackmail.

ECHO OF $30,000 CLEAN-UP

TRIAL OF MEMBERS OF DANIELS COMMISSION COMPANY.

Frank B. Warner Testifies Against His Former Partners in Business —John H. Thomas, a Banker, One of Defendants.

APPENDIX B

UNITED STATES DEPARTMENT OF AGRICULTURE

Office of Markets & Rural Organization

DAILY MARKET NEWS BULLETIN

Saint Louis, Missouri.
April 30, 1917.

Rooms 400–401 Old Custom House,
Telephone — Olive 4741.

STRAWBERRIES — NO. 25

ST. LOUIS MARKET THIS MORNING — JOBBING PRICES (l.c.l. prices on large lots to Jobbers)

Rained all night, Wet this morning. Temperature at 7:00 a.m. this morning 46°. 1 car Mississippis, 1 car Louisiana arrived since 8:00 a.m. Saturday, 4 cars Louisianas and 1 car Mississippi made empty since 8:00 a.m. Saturday, 1 car Mississippi on track 8:00 a.m. today. Mississippis, market weak, slow demd, wide range in condition, fair quality, soft, Klondykes, in 24-quart American Ventilated Crates $2.50–3.00. Louisianas, few early sales, account of weather, demand limited, quality and condition generally good, Klondykes, 24-pint solid cup crates mostly 2.75. Arkansas, approximately 400 pckgs by express, market fair, demand slow, Klondykes, in 24-quart American Ventilated Crates, wide range in quality generally good. considerable soft $2.00–3.00, Excelsiors, 24-quart American Ventilated Crates, quality fair, wide range cond. 1.75.

CARLOT SHIPMENTS SATURDAY (April 28)

North Carolina.	26 cars	Louisiana.	44 cars 2 Frt.
Florida.....	1 car	Texas.....	5 cars
Alabama.....	7 cars	Arkansas..	4 Exp. 8 Frt.
Mississippi	3 Exp. (3 Frt.)	California.	2 Exp.

TOTAL SHIPMENTS REPORTED FROM ALL SECTIONS: 105 cars.

CARLOT SHIPMENTS SUNDAY (April 29)

North Carolina.....	41 cars	Louisiana	10 Exp.
South Carolina.....	3 cars	Texas.....	3 cars
Florida.....	2 cars	Arkansas.....	2 cars
Alabama.....	none	California.....	2 Exp.
		TOTAL.....	63 cars

Established 1898

JOHN SMITH & COMPANY — WHOLESALE COMMISSION

Veal, Poultry, Fruits, Vegetables, Butter, Eggs, etc.

Reference
National Produce Bank

199 WEST SOUTH WATER STREET, CHICAGO

DAILY TRADE BULLETIN.

[illegible] THE PRODUCE MARKETS.

[illegible] 332 Sherman St

Chicago, Saturday, July 28, 1917.

[illegible] PRODUCE

[illegible] receipts and shipments of [illegible] compared with the [illegible]

SHIPMENTS

Articles	[illegible]	[illegible]	1916
[illegible]	[illegible]	[illegible]	[illegible]
Butter, lbs	[illegible]	$ 000	$ 000
Cheese, lbs	[illegible]	1,427,000	950,000
Eggs, cases	[illegible]	483,000	391,000
Lard, tubs	[illegible]	2,700	6,574
Poultry, lbs	[illegible]	66	72
[illegible], lbs	[illegible]	429,000	850,000
[illegible], bu	[illegible]	3,000	9,000
[illegible], lbs	[illegible]	17,000	1,305,000

BUTTER RATES

The new [illegible] Butter are as follows —

[illegible] Butter shall be [illegible] Creamery, Centralized Creamery, Held Butter [illegible] Ladles, and Packing Stock

[illegible] Creamery [illegible] This classification [illegible] butter to be [illegible] factories from [illegible] [illegible] [illegible]

SHIPPING POINT INFORMATION (April 28)

CHADBOURNE, N. CAROLINA. Clear, Temperature 83. Wagonloads, track side, at country loading points, 32-quart Ventilated Crates $4.60–5.50, Few $5.60.

HAMMOND, LA. Cloudy, 75°. Shipments increasing, market steady, demand good, good movement, practically all shipments sold, quality and condition generally good, some small sized. Carloads, f.o.b. cash track, Klondykes, 24-pint solid cup crates $2.00–2.20; 24-quart American Ventilated $3.90–4.00.

JUDSONIA, ARK. Rained during day, shipments increasing, gd demd, qual & cond generally good, carloads, f.o.b. cash track, 24-quart Folding Crts Klondykes $4.25–4.35, mostly 4.35. Excelsiors $3.25–3.75.

TELEGRAPHIC REPORTS FROM THIS MORNING'S MARKETS:

JOBBING PRICES (L.C.L. Prices on Large Lots to Jobbers)

BUFFALO: Cloudy, 38°. Louisiana 4 arrived, 4 broken on track; Market generally strong, demand active, quality and condition good, some soft Klondykes in 24-quart Amer. Ventilated Crts $5.25–5.40. Mostly $5.35.

CHICAGO: Cloudy, 44°. 9 cars by express. from Louisiana, Mississippi, and Tennessee mostly from Louisiana Market weak, slow demand, considerable too soft. Pints opening prices today from various origins best $2.50–2.75, mostly $2.50. Others $1.25–2.00. Quarts from Louisiana slack pack $4.00–4.25. Tennessee fair quality, poor condition, no early sales.

CINCINNATI: Cloudy, 49°. 6 cars Alabamas, 1 car Mississippis arrvd. Good demd, moving good. Market steady. Alabamas gen'l good qual, variable cond. Klondykes 24-quart crates $3.75–4.00, few considerable soft $2.50–3.00. Tennessees gen'l good qual, considerable soft, Klondykes 24-quart ventilated crts best $3.50, 3.75, poorer $3.25. Miss's good qual, considerable mouldy Klondykes 24-quart ventilated crates $3.75–4.00, poorer $3.25–3.50.

MINNEAPOLIS: Cloudy, 40°. 4 cars Louisiana arrvd. Few early sales. Market firm, good demand. Good quality and condition. Good color firm pack Pints $3.00.

J. P. KLEIN,
Assistant in Market Surveys

This sheet released 12.45 p.m.

APPENDIX D

AN ACT TO REGULATE COLD STORAGE OF CERTAIN ARTICLES OF FOOD

SECTION 1. *Be it enacted by the People of the State of Illinois, represented in the General Assembly:* For the purpose of this Act, "cold storage" shall mean the storage or keeping of articles of food at or below a temperature above zero of 45 degrees Fahrenheit in a cold storage warehouse; "cold storage warehouse" shall mean any place artificially cooled to or below a temperature above zero of 45 degrees Fahrenheit, in which articles of food are placed and held for thirty days or more; "articles of food" shall mean fresh meat and fresh meat products and all fish, game, poultry, eggs and butter.

Sec. 2. No person, firm or corporation shall maintain or operate a cold storage warehouse without a license so to do issued by the Department of Agriculture. Any person, firm or corporation desiring such a license shall make written application to the Department of Agriculture for that purpose, stating the location of the warehouse. The Department of Agriculture thereupon shall cause an examination to be made of said warehouse and, if it be found by him to be in a proper sanitary condition and otherwise properly equipped for its intended use, he shall issue a license authorizing the applicant to operate the same as a cold storage warehouse during one year. The license shall be issued upon payment by the applicant of a license fee of twenty-five ($25.00) dollars per annum to the Department of Agriculture.

Sec. 3. In case any cold storage warehouse, or any part thereof, shall at any time be deemed by the Department of Agriculture to be in an unsanitary condition, or not properly equipped for its intended use, it shall notify the licensee of such condition and upon the failure of the licensee to put such cold storage warehouse in a sanitary condition or to properly equip the same for its intended use, within a time to be designated by the Department of Agriculture, he shall revoke such license.

Sec. 4. Every such licensee shall keep accurate records of the articles of food received in and of the articles of food withdrawn from his cold storage warehouse, and the Department of Agriculture shall have free access to such records at any time. Every

such licensee shall submit a monthly report to the Department of Agriculture, setting forth in itemized particulars the quantities and kinds of articles of food in his cold storage warehouse. Such monthly reports shall be filed on or before the fifth day of each month and the reports so rendered shall show the conditions existing on the last day of the preceding month reported and a summary of such reports shall be prepared by the Department of Agriculture and shall be open to public inspection on or before the tenth day of each month.

Sec. 5. The Department of Agriculture shall inspect and supervise all cold storage warehouses and make such inspection of articles of food therein as he may deem necessary to secure the proper enforcement of this Act, and he shall have access to all cold storage warehouses at all reasonable times. The Department of Agriculture may appoint such persons as he deems qualified to make any inspection under this Act.

Sec. 6. No article of food intended for human consumption shall be placed, knowingly, received or kept in any cold storage warehouse, if diseased, tainted, otherwise unfit for human consumption, or in such condition that it will not keep wholesome for human consumption. No article of food, for use other than for human consumption, shall be placed, received or kept in any cold storage warehouse unless previously marked, in accordance with forms to be prescribed by the Department of Agriculture, in such a way as to indicate plainly the fact that such article of food is not to be sold or used for human food.

Sec. 7. No person, firm or corporation shall place, receive or keep in any cold storage warehouse in this State articles of food unless the same shall be plainly marked, stamped or tagged, either upon the container in which they are packed, or upon the article of food itself, with the date when placed therein; and no person, firm or corporation shall remove, or allow to be removed, such article of food from any cold storage warehouse unless the same shall be plainly marked, stamped or tagged, either on the container in which it is enclosed or upon the article of food itself, with the date of such removal, and such marks, stamps and tags shall be *prima facie* evidence of such receipt and removal and of the dates thereof. All articles of food in any cold storage warehouse at the time this Act goes into effect shall, before being removed therefrom, be plainly marked, stamped or tagged with the date when this Act goes into effect and the date of removal therefrom.

Sec. 8. No person, firm or corporation shall hereafter keep or

permit to remain in any cold storage warehouse any article of food which has been held in cold storage either within or without the State, for a longer aggregate period than twelve months, except with the approval of the Director of the Department of Agriculture as hereinafter provided. The Director of the Department of Agriculture may, from time to time, upon application in writing, extend the period of storage beyond twelve months for any particular article of food, provided the same is found upon examination by the Department of Agriculture to be in wholesome condition for further cold storage. The length of time for which such further storage is allowed shall be specified in the order granting the extension. A report on each case in which such extension of storage may be permitted, including information relating to the reason for the action of the said director, the kinds and amounts of the articles of food for which the storage period was extended, and length of time for which this extension was granted, shall be filed, open to public inspection, in the office of said director.

The Director of Agriculture shall have power to order any article of food held in cold storage to be removed therefrom before the expiration of the first period of twelve months or before the expiration of any period of extension granted by him for any of the following reasons: —

(1) That the storage of the article of food beyond the time fixed by the Director of the Department of Agriculture in his order of removal will render such article of food unwholesome;

(2) That the person, firm or corporation storing such article of food has entered into a contract, agreement or understanding for the purpose or with the intent of fictitiously increasing the price of such article of food;

(3) That the storage of such article of food is for the purpose or with the intent of fictitiously increasing the price thereof;

(4) That the storage of such article of food tends to create a monopoly;

(5) That the storage of such article of food tends to restrain or prevent competition in this State in the supply or price of such article.

Before such article of food shall be ordered removed from storage, the Director of Agriculture shall give at least five days' notice in writing of his intention to make such order, and shall accord the person, firm or corporation receiving such notice a full hearing thereon.

Sec. 9. It shall be unlawful to sell, or to offer for sale, any article of food which has been held for a period of thirty days or over in cold storage either within or without the State, without notifying persons purchasing, or intending to purchase, the same, that it has been so held, by the display of a placard plainly and conspicuously marked, "Cold Storage Goods," on the bulk mass or articles of food; and it shall be unlawful to represent or advertise as fresh any article of food which has been held in cold storage for a period of thirty days or over.

Sec. 10. It shall be unlawful to return to any cold storage warehouse any article of food which has been once released from storage for the purpose of placing it on the market for sale. It shall be unlawful to transfer any article of food from one cold storage warehouse to another if such transfer is made for the purpose of avoiding any provision of this Act, and such transfer shall be unlawful unless all prior stampings, markings and taggings upon such article shall remain thereon.

Sec. 11. The Department of Agriculture may make all necessary rules and regulations to carry this Act into effect. Such rules and regulations shall be filed in the department's office, and shall not take effect until five (5) days after such filing.

Sec. 12. Any person, firm or corporation violating any provision of this Act shall be guilty of a misdemeanor and shall upon conviction be punished for the first offense by a fine not exceeding one hundred ($100) dollars and for the second or any subsequent offense by a fine not exceeding five hundred ($500) dollars or by imprisonment of not more than six months, or by both such fine and imprisonment in the discretion of the court.

Sec. 13. This Act shall be so interpreted and construed as to effect its general purpose to make uniform the law of those states which enact it.

Sec. 14. This Act may be cited as the Uniform Cold Storage Act.

Sec. 15. All Acts or parts of Acts inconsistent with this Act are hereby repealed.

APPENDIX E

AN ORDINANCE

TO PREVENT AND PUNISH FORESTALLING AND REGRATING

Be it ordained by the City Council of the City of Chicago: —

SECTION 1. That it shall be unlawful for any person, firm or corporation to buy up or cause to be bought up, while on their way to the market or to any dealer in such goods within the city, any meats, poultry, fish, butter, eggs, cheese, lard, milk, vegetables, flour, meal, sugar, fruits or any other foodstuffs or provisions with intent to withhold same from sale in the open market in order to create a scarcity of such article or articles, commodities, foodstuffs or provisions or for the purpose of controlling or artificially fixing or enhancing the market value of same; and it shall likewise be unlawful to contract for the control of such article or articles, commodities, foodstuffs or provisions, so as to create a scarcity of same, or to enter into any agreement with any other person, firm or corporation whereby the said article or articles, commodities, foodstuffs or provisions are withheld from sale in the open market, or to offer or hold out any inducement to persons who own or control same to raise the price or withhold same from sale in the open market, or to do any act or thing which will prevent, hinder or delay the sale or the placing on the market by any other person, firm, or corporation of such article or articles, commodities, foodstuffs or provisions, in the natural course of trade.

SECTION 2. That it shall be unlawful for any person, firm or corporation to buy up the article or articles, commodities, foodstuffs or provisions named in section 1 hereof after the same have been placed on the market or into the hands of dealers for sale to consumers for the purpose of withdrawing same from sale in order to create a scarcity of same, or to hinder or delay the sale of same in such a way as to create an artificial, arbitrary or unnatural advance in price, or to make any agreement with or offer any inducement to any other person, firm or corporation for the purpose of creating an artificial, arbitrary or unnatural rise in price

of any such article or articles, commodities, foodstuffs or provisions.

SECTION 3. It shall be unlawful for any person, firm or corporation, that shall be the owner thereof, to store or cause to be stored in any public or private warehouse or storeroom with intent to withhold from the open market and to create a scarcity therein, any meats, poultry, fish, butter, eggs, cheese, lard, milk, vegetables, flour, meal, sugar, fruits or any other foodstuffs or provisions which are required for human consumption, or to contract or arrange with any other person, firm or corporation for such storage or withholding of same for the purpose of creating a scarcity of same or of raising the price of same.

SECTION 4. Any person, firm or corporation that shall violate any of the provisions of this ordinance shall be subject to a fine of not less than fifty dollars nor more than two hundred dollars and such violation each day that the same shall continue shall be regarded as and shall constitute a distinct and separate offense.

SECTION 5. This ordinance shall take effect and be in force from and after its passage and due publication.

APPENDIX F

FROM FARM TO TABLE

—VIA—

PARCEL POST

Compiled and Issued by the Chicago Post-Office for the Purpose of Distribution, in the City of Chicago, to Consumers Who May Desire to Purchase Butter, Eggs and General Produce Direct from the Farmer, Dairyman or Poultry Raiser, Via United States Parcel Post

RETAIN THIS PAMPHLET FOR FUTURE REFERENCE

VOL. III CHICAGO, ILLINOIS, JANUARY 1, 1917 NO. 16

The following producers have signified their desire to be listed as shippers of produce by Parcel Post. A postal card or letter to one or more of them will afford the consumers an opportunity of making comparison of prices. Every effort will be made to deliver without unnecessary delay, all perishable shipments, thereby insuring to the consumer fresh products from the farm and dairy. The cordial coöperation of the public toward the success of the Farm to Table plan is invited.

D. A. CAMPBELL, Postmaster.

NAME	ADDRESS	PRODUCE
Ahlers, H. C	West Bend, Wis., Route 1, Box 11	Honey
A & A Poultry Yard	Columbus, Wis	Eggs
Apple, Frank J	Sterling, Ill., Route 4, Box 64	Eggs, dressed poultry
Allison, Mrs. Mary E.	Union Mills, Ind., R.F.D	Eggs, walnuts, strawberries and elder berries in season
Allegan Squab Co	Allegan, Mich., Route 8	Eggs, dressed poultry, dressed squabs
Andersen, Thure	Montague, Mich., Route 2, Box 91	Eggs, butter, dressed poultry and cherries in season
Allen, Mrs. Jonathan	Alfordsville, Ind	Eggs, butter
Anderson, J. A	Etna Green, Ind	Eggs, butter, dressed poultry and fruits in season
Aldrich, M. A	Teheran, Ill	Eggs, butter
Alshouse, H. E	Middlebury, Ind	Canned goods of all kinds
Anthony, H	Hart, Mich., Route 3	Eggs, dressed poultry, small fruits in season, bacon in cold weather
Allen, L. S	Dayton, Mich	Eggs, dressed poultry
Aukamp, Wm	Shobonier, Ill., Route 1, Box 85	Eggs, dressed poultry, fruits and vegetables in season
Aldrich, J. W	Falmouth, Mich	Eggs, butter, dressed poultry, fruits and vegetables in season
Allen, Sylvester	Rome, Ind	Eggs
Anderson, A. D	Harvard, Ill., Route 1	Eggs, dressed poultry
Bretz, Edson R	Montague, Mich., Route 1, Box 68	Eggs
Beesch, Chas	Orchard Place, Ill	Fruits and vegetables in season
Bell, A. O	Saidora, Ill., Box 6	Butter

NAME	ADDRESS	KIND OF PRODUCE
Bussard, Wm	New Paris, Ind	Hand picked guaranteed fancy canned tomatoes, corn, beans, kraut and pumpkin
Bockstanz, N. J	Tallman, Mich	Butter, honey
Burt, W. L	Holland, Mich., Route 4	Eggs, dressed poultry
Butler, C. W	Bath, Ill	Dressed poultry and rabbits, fish and turtles
Belden, Mrs. Chas	Elkhart, Ind., Route 4	Eggs, butter
Bixler, Mrs. Morgan	Milford, Ind., Route 3	Eggs, butter, jellies and preserves, fruits and vegetables in season
Bartholomew, Walter	Elkhart, Ind., Route 7	Eggs, dressed poultry, butter
Brocker, Wm	Montague, Mich., Route 3	Graham flour, eggs, dressed poultry
Backus, Mrs. E. A	Applegate, Mich	Eggs, butter, dressed poultry
Ball, Willis	Howe, Ind., Route 2, Box 59	Eggs, butter, dressed poultry, vegetables in season
Blue Spring Specialty Farm	Griggsville, Ill	Eggs
Beck Bros	Teegarden, Ind	Eggs, butter
Bell, C. R	Allensville, Ohio	Eggs, dressed poultry
Bennett, Elwood	Urbana, Ohio, Route 9	Dressed poultry, sorghum, potatoes
Brown, L. G	Brown's Poultry Farm, Barry, Ill	Eggs, country sausage
Boyer, Chas	Bristol, Ind	Eggs, fruits in season
Beckett, B. G	Bristol, Ind., Route 1	Eggs, vegetables in season
Brant, V. N	Bristol, Ind., Route 1	Eggs
Bickel, W. C	Bristol, Ind., Route 1	Eggs, hams, bacon, sausage and vegetables in season
Baughman, Glenn	Flora, Ind	Eggs
Breidenstein, J. W	Edelweiss Fruit and Poultry Farm, South Haven, Mich., Route 4	Eggs
Bennett, Eri A	Hartford, Mich., Box 273	Eggs, dressed poultry and small fruits in season
Buhrow, Henry F	Morrison, Ill., Route 2	Eggs, dressed poultry
Bittikoffer, Mrs. M. E	Warsaw, Ind., Route 5	Eggs, butter, garden vegetables in season
Baumgardner, V. D	Oasis, Iowa	Eggs, butter
Bruhn & Price	Aurorahville, Wis	Creamery butter
Bennett, Fred	Poplar Grove, Ill., Route 2	Eggs, dressed poultry, asparagus and other garden products in season
Baker, C. R	Atlanta, Ill., Route 2	Eggs
Baggs, A. E	St. Johns, Ohio, Route 1	Eggs, dressed poultry, meats and vegetables in season
Barton, J. J	Sublette, Ill	Eggs
Baldridge, M. M	St. Charles, Ill	Honey
Busse, Jr., Wm	Mt. Prospect, Ill	Eggs, home-made summer sausage
Buntrock, T. H	Embarrass, Wis	Eggs
Blue Grass Creamery Co	Stockport, Iowa	Creamery butter
Blank, Martin	Grafton, Wis	Creamery butter
Burchett & Son, L	New Holland, Ill	Butter, lard, honey, apples, pork sausage in season
Binning, Mrs. Wm	Marathon, Iowa	Eggs, dressed poultry, butter and vegetables
Baxman, M. J	Wheaton, Ill., Route 1	Eggs
Berta, James	Braidwood, Ill., Box 111	Dressed poultry, butter, fruits and vegetables in season
Burks, D. S	Addison, Ky	Eggs
Barlow, M. M	Rensselaer, Ind., Route 4	Eggs, butter
Bass, John M	Kinmundy, Ill	Eggs, dressed poultry, fruits and vegetables in season
Bonebrake, Art E	Tangier, Ind., Route 2	Eggs, dressed poultry and rabbits

APPENDIX G

WELLS FARGO & COMPANY EXPRESS

ORDER, COMMISSION, AND FOOD PRODUCTS DEPARTMENT

Chicago for week ending June 12, 1915.

Any Agent will take your order.

He will receive it from you personally by letter or by telephone.

We recommend sending remittance with each order to cover "Country Cost."

Add money order fee as shown below to the cost of produce ordered from each shipping point.

Checks on local banks to order of Wells Fargo & Co. will be accepted.

We remit to the farmer by Express Money Order.

Money orders protect both producer and consumer and insure promptness in filling orders.

"Country Cost" represents the f.o.b. price quoted us by producers.

"Cost Delivered" is "Country Cost" plus express charge on the produce to this city.

Orders not over			$2.50	money order fee			3	cents.
"	"	"	5.00	"	"	"	5	"
"	"	"	10.00	"	"	"	8	"
"	"	"	20.00	"	"	"	10	"
"	"	"	30.00	"	"	"	12	"

ARTICLE	SHIPPING POINT	HOW PUT UP	COUNTRY COST	COST DELIVERED
CREAMERY BUTTER	Lohrville, Ia.	30 lbs.	.27	.29
1 lb. prints		10 "	.27½	.30½
	Combination holding 12 dozen eggs and 10 pounds butter $5.93 delivered from Lohrville, Iowa.			
" "	Anthony, Kans.	30 lbs.	.25	.28
	Combination holding 15 dozen eggs and 10 pounds butter $6.35 delivered from Anthony, Kans.			
" "	Streator, Ill.	30 lbs.	.28	.29
FRESH EGGS	Saline City, Ind.	30 dozen	.18	.20
" "	Lohrville, Ia.	†30 "	.20	.23
		15 "	.21	.24½
" "	Mineral Pt. Wis.	30 "	Ex. Pd.	.21
		12 "	"	.23
		Cartons	"	.22
" "	Bolivar, Mo.	30 dozen	.17	.20
" "	Richland Ctr. Wis.	30 "	.20	.22
		Cartons 1¢ more per dozen		
" "	Anthony, Kans.	†30 dozen	.19½	.24
		Cartons 1¢ more per dozen		
" "	Streator, Ill.	30 dozen	.18½	.20
		Cartons 1¢ more per dozen		
" "	Fox Lake, Wis.	30 dozen	.18	.20
HENS (Iced)	Byron, Ill.	25 lbs. or more	Ex. Pd.	.18
BACON	Buffalo, N.Y.	# 6–8 lbs.	.18	.20½
HAMS	" "	#10–12 "	.15¾	.18½
COUNTRY SAUSAGE	Rock City, Ill.	# 1 lb. pkgs.	.20	.21
PORK SAUSAGE	Thiensville, Wis.	# 1 lb. pkgs.	.20	.22
COUNTRY SAUSAGE	Mazomanie, Wis.	# 5 lb. rolls	.21	.23
BACON	"	#Any Quantity	.22	.24
BUCKWHEAT FLOUR	Oakland, Md.	10 lb. bags	.30	.55
" "	Wellsville, N.Y.	10 " "	.38	.66
" "		25 " "	.90	1.37
HONEY	Richland Ctr., Wis.	# 5 lb. pails	.10 lb.	.12½
MAPLE SYRUP	Whitesville, N.Y.	1 gal. cans	1.10	1.40
" "	Chagrin Falls, Ohio	1 gal. cans	1.10	1.26
BAY CHUBS (Smoked)	Green Bay, Wis.	#10–20 lb. bkts.	.08 lb.	.10

In order to secure products marked # at price shown under "Cost Delivered," the quantity must aggregate 15 lbs. or more.

† Will ship combination of their products to suit trade.

CHERRIES FROM MOLINE, ILL.

These quotations are on cherries from but one producer and shipper who has given every attention to his orchard, which assures you of fine fruit *free from worms*, f.o.b. as follows:

16 full quart cases $1.45 per case
24 " " " 2.15 " "

CHERRIES FROM CORDOVA, ILL.

16 full quart case 1.25
f.o.b. Cordova.

OREGON PRUNES FROM SALEM, ILL.

Extra fancy prunes 9 lb. box $1.50
" " " 10 " " 1.25
Express charges paid.

DRIED LOGANBERRIES FROM SALEM, ORE.

This fruit, while practically new, is fast becoming famous for its excellent qualities, retains nearly all of the flavor of fresh fruit, express charges paid —

4 lb. boxes $1.25
5 " " 1.45

L. F. Troja, Industrial Agent,
Order, Commission & Food Products Dept.
111 W. Monroe St., Chicago, Ill.

APPENDIX H

LAWS OF NEW YORK. — By Authority

Chap. 457

AN ACT to amend the agricultural law, in relation to the sale of farm produce on commission.

Became a law May 9, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows: —

Section 1. Chapter nine of the laws of nineteen hundred and nine, entitled "An act in relation to agriculture, constituting chapter one of the consolidated laws," is hereby amended by inserting therein a new article, to be article twelve-a thereof, to read as follows: —

ARTICLE 12-A

Sale of Farm Produce on Commission

Section 282. Definitions.
283. Sale of farm produce on commission; license therefor.
284. Bond.
285. Power of commissioner to investigate.
286. Granting and revoking licenses.
287. Certiorari to review.
288. Report of sale to consignor.
289. Offenses.

§ 282. *Definitions as used in this article.* 1. The term commission merchant shall include every person, firm, exchange, association and corporation licensed under this article to receive, sell or offer for sale on commission within this state any kind of farm produce; except where such farm produce is sold for consumption and not for resale. This article shall not apply to the sale of farm produce at public auction by a duly licensed and bonded auctioneer, acting as the agent of another to whom such farm produce shall have been consigned; nor shall this article apply to seeds sold at retail.

2. The term farm produce shall include all agricultural, horticultural, vegetable and fruit products of the soil, and meats, poultry, eggs, dairy products, nuts and honey, but shall not include timber products, floricultural products, tea or coffee.

§ 283. *Sale of farm produce on commission; license therefor.* On and after August first, nineteen hundred and thirteen, no person, firm, exchange, association or corporation, shall receive, sell or offer for sale on commission within this state any kind of farm produce, without a license as provided in this article. Every person, firm, exchange, association and corporation in this state receiving farm produce for sale on commission shall, annually on or before June first, file an application with the commissioner of agriculture for a license to do a commission business in farm produce. Such applicant shall state the kind or kinds of farm produce which the applicant proposes to handle, the full name of the person, firm, exchange, association or corporation applying for such a license and if the applicant be a firm, exchange, corporation or association, the full name of each member of the firm, or the names of the officers of the exchange, association or corporation, and the name of the local agent of the exchange or association and the city, town or village and street number at which the business is to be conducted. Such applicant shall further satisfy the commissioner of agriculture of his or its character, responsibility and good faith in seeking to carry on a commission business. The commissioner of agriculture shall thereupon issue to such applicant, on payment of ten dollars and the execution and delivery of a bond as hereinafter provided, a license entitling the applicant to conduct the business of receiving and selling farm produce on commission at the place named in the application until the first day of July next following.

§ 284. *Bond.* Before any such license shall be issued every applicant shall execute and deliver to the commissioner of agriculture a fidelity bond with satisfactory sureties in the sum of three thousand dollars to secure the honest accounting to the consignor of the monies received by such commission merchant from the sale of the farm produce sold on commission, and the commissioner of agriculture may bring an action in any court of competent jurisdiction in the county in which is situated the place of business of the licensee, against the principal and sureties for the recovery of any monies so received and not honestly accounted for.

§ 285. *Power of the commissioner of agriculture to investigate.* The commissioner of agriculture or his assistants shall have power

to investigate, upon the verified complaint of an interested person, the record of any person, firm, exchange, corporation or association applying for a license, or any transaction involving the solicitation, receipt, sale or attempted sale of farm produce on a commission basis, the failure to make proper and true accounts and settlements at prompt and regular intervals, the making of false statements as to condition, quality or quantity of goods received or while in storage, the making of false statements as to market conditions, with intent to deceive, or the failure to make payment for goods received or other alleged injurious transactions; and for such purpose may examine at the place of business of the licensee, that portion of the ledgers, books of account, memoranda or other documents, relating to the transactions involved, of any commission merchant, and may take testimony therein under oath. When a consignor of farm produce fails to obtain satisfactory settlement in any transaction, after having notified the consignee, a certified complaint may be filed, at the expiration of ten days after such notification, with the commissioner of agriculture. The commissioner of agriculture shall attempt to secure an explanation or adjustment, failing this, within seven days he shall cause a copy thereof, together with a notice of a time and place for a hearing on such complaint, to be served personally, or by mail, upon such commission merchant. Such service shall be made at least seven days before the hearing, which shall be held in the city, village or township in which is situated the place of business of the licensee. At the time and place appointed for such hearing, the commissioner or his assistants shall hear the parties to such complaint, shall have power to administer an oath, and shall enter in the office of the commissioner of agriculture at Albany a decision either dismissing such complaint or specifying the facts which he deems established on such hearing, and in case such facts are established as cause him to revoke such license, he shall bring an action on the bond within sixty days of the filing of such decision.

§ 286. *Granting and revoking licenses.* The commissioner of agriculture may decline to grant a license or may revoke a license already granted where he is satisfied of the existence of the following cases or any of them: 1. Where a money judgment has been entered against such commission merchant and upon which execution has been returned unsatisfied.

2. Where false charges have been imposed for handling or services rendered.

3. Where there has been a failure to account promptly and properly or to make settlements, with intent to defraud.

4. Where there have been false statements as to condition, quality or quantity of goods received or held for sale on commission when the same might be known on reasonable inspection.

5. Where there have been false or misleading statement or statements as to market conditions with intent to deceive.

6. Where there has been a combination or combinations to fix prices.

7. Where the commission merchant directly or indirectly purchases the goods for his own account without prior authority therefor or without notifying the consignor thereof.

§ 287. *Certiorari to review.* The action of the commissioner of agriculture in refusing to grant a license, or in revoking a license granted under this article, shall be subject to review by a writ of certiorari, and if such proceedings are begun, until the final determination of the proceedings and all appeals therefrom, the license of such commission merchant shall be deemed to be in full force and effect, provided the fee for such license shall have been paid and a bond given as herein required.

§ 288. *Report of sale to consignor.* Every commission merchant shall, upon the receipt of farm produce and as he handles and disposes of the same, make a record thereof, specifying the name and address of the consignor, the date of receipt, the kind and the quantity of such produce, the amount of goods sold, the selling price thereof and the items of expense connected therewith, and this record together with payment in settlement for said shipment shall be mailed to the consignor within forty-eight hours unless otherwise agreed.

§ 289. *Offenses.* Any person, firm, exchange, association or corporation who shall receive or offer to receive, sell or offer to sell on commission within this state any kind of farm produce without a license except as in this chapter permitted and any person who being a commission merchant in farm produce shall (a) impose false charges for handling or services in connection with farm produce, or (b) fails to account for such farm produce promptly and properly and to make settlements therefor, with intent to defraud, or (c) shall make false or misleading statement or statements as to market conditions with intent to deceive, or (d) enter into any combination or combinations to fix prices, or (e) directly or indirectly purchases for his or its own account, goods received by him or it upon consignment without prior authority therefor from the consignor, or shall fail to promptly notify the consignor of such purchase on his or its own account, or (f) any person handling, shipping or selling farm produce who

shall make false statements as to grade, condition, markings, quality or quantity of goods shipped, or packed in any manner, with intent to deceive, shall be guilty of a misdemeanor.

§ 2. This act shall take effect immediately.

STATE OF NEW YORK,
Office of the Secretary of State } *ss:*

I have compared the preceding with the original law on file in this office, and do hereby certify that the same is a correct transcript therefrom and of the whole of said original law.

MITCHELL MAY,
Secretary of State.

APPENDIX I

A BILL

FOR AN ACT IN RELATION TO MARKETS, FOODS AND FARM PRODUCTS

Article I

Section 1. *Be it enacted by the People of the State of Illinois, represented in the General Assembly:* This Act shall be known as the Markets, Foods and Farm Products Law.

Sec. 2. Definitions. When used in this Act unless otherwise expressly stated, or unless the context or subject-matter otherwise requires: —

1. "Commission" means the commission of markets, foods and farm products, being a subdivision or branch of the department of agriculture, as such department is defined in the Act known as "The Civil Administrative Code of Illinois," passed by the General Assembly, March 1, 1917, in effect July 1, 1917.

2. "Commissioner" means one of the commissioners who are members of such commission of markets, foods and farm products.

3. The term "foods" and "food products" shall include all articles used for food, drink, confectionery or condiment by man or other animals, whether simple, mixed or compound.

4. The production of foods shall also include the manufacture of foods.

Sec. 3. Unfair practices; how determined. In determining what business acts, practices and methods shall constitute an unlawful destruction, prevention or unreasonable limitation of competition in food products to the detriment of the people of the State, or shall constitute an attempt to so destroy, prevent or unreasonably limit such competition, the commission shall be governed by the laws now in force in the State and the interpretation and construction thereof by the courts of the State.

But nothing in this section contained shall be construed as excluding other acts, practices or methods, nor as in any degree limiting the power of the commission to investigate and determine what other business acts, practices and methods, as interpreted by the laws of the United States and of other states, are unfair and illegal.

SEC. 4. SUBJECTS OF PUBLIC INTEREST AND STATE REGULATION. The production, manufacturing, marketing and distribution of food, food products and supplies are matters of public interest and proper subjects for investigation, encouragement, development and regulation by the State to provide an abundant supply of pure and wholesome food, to prevent frauds and oppression in the traffic thereof, and to eliminate waste and loss in distribution. To this end the said commission is proposed whose purpose is (*a*) to represent the interests of producer, distributor and consumer; (*b*) to furnish a clearing house of information as to supply, demand, abundance, shortage, markets and methods of marketing of food, food products and supplies; (*c*) to afford a tribunal to whom appeal may be made in case of complaint, that has the power to investigate and recommend remedies for existing waste, injustice, or unfairness in the marketing of food, food products and supplies.

ARTICLE 2

ORGANIZATION OF COMMISSION; JURISDICTION; GENERAL POWERS AND DUTIES

SEC. 5. COMMISSION OF MARKETS, FOODS AND FARM PRODUCTS. There shall be a commission of markets, food and farm products which shall be a division of the department of agriculture. The commission shall consist of the director of the department of agriculture, *ex officio*, the director of the department of trade and commerce, *ex officio*, the superintendent of foods and dairies, *ex officio*, and two commissioners appointed by the Governor, by and with the advice and consent of the Senate, one of which appointees shall be designated by the Governor as chairman. Upon the appointment of a successor to the chairman, the Governor shall designate such successor or any appointive commissioner as chairman. The first commission shall consist of the two directors and superintendent of food and dairies, *ex officio*, and who shall hold office as members of said commission during their terms of office, and until their respective successors are appointed and qualified, and the two commissioners, appointed by the Governor, by and with the advice and consent of the Senate, who shall hold office until July first, nineteen hundred and twenty-one. The two commissioners so appointed shall be known as appointive commissioners. Their successors shall be appointed, as above provided, for full terms of four years from the expiration of the terms of their predecessors. If a vacancy occur otherwise than by

expiration of term in the office of an appointive commissioner, it shall be filled by appointment for the unexpired term.

One of such appointive commissioners shall be a representative of the interests engaged in the distribution of food products and supplies of the State, and one of them shall be a representative of the consumers of the State. Each appointive commissioner shall devote his entire time to the duties of his office and shall hold no other office or position of profit nor engage in any other business, employment or vocation.

(Secs. 6–15. Organization, etc.)

Sec. 16. Meetings of commission. The commission shall hold stated meetings at least once a month at its office and may hold such special meetings as it may deem necessary at any place within the State.

Sec. 17. General powers and duties of commission. The commission shall

1. Execute and carry into effect the provisions of this Act and the rules of the commission;

2. Investigate fully as to the sources of food supply for the State, the production, manufacture, transportation, storage, marketing and distribution of food sold, offered for sale, stored or held within the State, the cost of food at the point of production, the expense of transportation to the leading centers of population and of the marketing and distribution to consumers;

3. Collect accurate data and statistics as to the sources and prices of food produced, manufactured, stored or held within or without the State, the quantities available from time to time and the location thereof;

4. Co-operate with and aid the department of agriculture in promoting and encouraging the development of the agricultural resources of the State and the production of food;

5. Co-operate with and aid consumers, distributors and producers of food in advancing and maintaining economic and efficient systems of production, distribution, marketing and storage, and in reaching advantageous markets;

6. Acquire accurate information of the actual market prices paid from day to day in the various markets of the State and elsewhere;

7. Prevent the publication of false and misleading market quotations, and, so far as possible, provide that such quotations as are printed or published in the public journals or market papers of the State are true and correct;

8. Investigate transportation facilities and delays in transpor-

tation and, upon request, inform shippers of food as to the most direct and expeditious route of shipment to market;

9. Co-operate with the public utilities commission with the view of obtaining proper, expeditious and economical facilities for the shipment of food, and recommend as to the action to be taken by such commission to avoid and prevent unfair discrimination in such shipment and unreasonable delay in the transportation thereof, and to obtain fair and reasonable rates for such transportation;

10. Investigate as to the needs of terminal, dock and other distributing facilities for the delivery and distribution of food at the centers of population; and take such measures as may be advisable to promote their establishment, construction or acquisition by public service corporations, municipalities or other agencies;

11. Ascertain the names and addresses of producers, manufacturers, importers and distributors of food, the kind of food, produced, manufactured, imported or distributed by such persons and, upon request, supply lists of such persons;

12. When notified by producers, manufacturers or distributors that food produced, manufactured or shipped within the State is likely to spoil on account of lack of ready market, make such suggestions or take such steps as are deemed advisable for facilitating the sale or other disposition thereof;

13. Acquire information and make recommendations as the most efficient and economical methods of standardization, packing, transportation and distribution of food;

14. In case of emergency creating or threatening to create a scarcity of foods within the State, take such lawful measures to secure relief as the commission may deem advisable.

15. Inquire and recommend as to the best methods of increasing the supply of food, and co-operate with other public and private agencies for such purpose;

16. Investigate the plans and methods of co-operative corporations and of combinations and associations for the purchase, sale, marketing or distribution of foods within the State;

17. Investigate and furnish information as to the most efficient methods of keeping records and accounts by producers and distributors of food products with a view of preventing wasteful, careless and fraudulent methods of handling such products;

18. Aid and assist in the establishment, organization and maintenance of co-operative corporations and associations among producers, distributors and consumers for the purpose of securing

more direct business relations between them, of promoting and conserving the interests of producers and distributors and reducing the cost of living to consumers;

19. Act as mediator or arbitrator when jointly invited, in any controversy or issue that may arise between producers and distributors of food.

20. Investigate the conduct and methods of exchanges and boards of trade within the State for the purchase and sale of food;

21. Advise municipalities as to the establishment, organization and maintenance of local markets and terminal dock and other distributing facilities for the sale, delivery and distribution of food and the methods for conducting the business thereof;

22. Co-operate with the department of agriculture in ascertaining the quantity, quality, character, purity, wholesomeness, economic value and the nutritious and hygienic properties of food produced, sold, manufactured, stored, offered for sale or intended to be offered for sale within the State, and for such purpose to take, examine and analyze samples of such goods;

23. Investigate transactions involving the solicitation, receipt, methods of accounting and settlement in the sale of foods and farm products and prevent all dishonest practices of distributors, according to the procedure provided by this Act.

24. Co-operate with the State Department of Public Health and local health departments and departments of markets in cities, incorporated towns and villages, in preventing the production, manufacture, sale or offering for sale of fraudulent, deleterious or unwholesome food;

25. Investigate and prevent unfair or illegal acts, practices and methods of competition in the sale or distribution of food which are detrimental to the welfare of the people of the State.

26. In all cases where the statistics or other information which the commission of markets, foods and farm products is authorized and directed to compile and procure under this Act necessary for the work of the commission in promoting the efficient and economical distribution and marketing of farm products and supplies are already available or required to be procured by any other commission or department of the State, said commission of markets, foods and farm products shall not be required to duplicate such work but it shall be its duty, as provided by sections 26 and 31 of the civil administrative code of Illinois, to avail itself of the information so otherwise obtained and use the same in carrying out the purposes of the commission in protecting the interests of producers, distributors and consumers of food and food supplies.

(Secs. 18–26. Rules, publications, etc.)

Sec. 27. Access to place of business. The commissioners, and the deputies, counsel, experts, chemists, agents and other officers and employees of the commission shall have full access to all places of business, factories, warehouses, storage plants, farms, buildings, carriages, cars and vessels used in the production, manufacture, sale, storage or transportation within the State of any food products or any imitation thereof, or of any article of produce with respect of which any authority is conferred by this Act on the commission. They may examine and open any package or container of any kind containing or believed to contain any article or product, which may be manufactured, sold or exposed for sale in violation of the provisions of this Act, or of the rules of the commission, and may inspect the contents therein, and take therefrom samples for analysis.

Sec. 28. Powers to subpœna witnesses, administer oaths and compel testimony. A commissioner, a deputy commissioner, the secretary or counsel of the commission, or any other officer or employee duly authorized by the commission, may administer oaths and take affidavits in relation to any matter or proceeding in the exercise of the powers and duties of the commission under this Act. The commission may subpœna and require the attendance of witnesses and the production of books, papers and documents pertaining to the investigations and inquiries which it is authorized to conduct, and examine them in relation to any matter which it has power to investigate, and issue commissions for the examination of witnesses who are out of the State or unable to attend before the commission or who are excused from attendance.

Any person who shall testify falsely as to any material matter pending in an investigation or proceeding under this Act shall be guilty of and punishable for perjury. An officer who served the commission's subpœnas and witnesses attending in response thereto shall be entitled to the same fees as are allowed to officers and witnesses in civil actions in courts of record.

Article 3.

Investigation, Practice and Procedure; Violations; Penalties.

Sec. 29. Investigations. The commission, a commissioner, a deputy commissioner, or any officer of the commission when authorized by the commission, may investigate and report as to all matters within or pertaining to the powers and jurisdiction of

the commission, and for the purposes of carrying into effect the provisions of this Act and the rules of the commission.

SEC. 30. PROCEDURE. 1. Proceedings may be instituted before the commission against a corporation, association, or person upon the written complaint of any person or corporation aggrieved complaining of practices or methods in the production, sale, purchase, delivery, storage, marketing and distribution of foods claimed to be in violation of any provision of law or the rules of the commission or of the terms of an order issued by the commission or of any license or agreement issued or approved by the commission under the provisions of this Act.

2. Upon the presentation of such complaint the commission may make inquiries as to the matters alleged therein and if such complaint appears to present a sufficient cause for investigation a copy of such complaint shall be forwarded to the person, association or corporation complained of and answer may be made thereto in accordance with the rules of the commission.

3. The charges presented by such complaint shall thereupon be investigated by the commission, as herein provided, and such action shall be taken as the facts justify and as may be authorized by law.

4. The final determination of the commission shall be made within six months after the filing of the complaint with the commission, unless otherwise stipulated.

SEC. 31. INVESTIGATION AS TO PROPOSED OR PENDING LEGISLATION. The commission, or a commissioner, deputy commissioner or any officer of the commission, when authorized by the commission, may conduct a hearing and take testimony relative to any pending or proposed legislation, upon the request of the Governor, the Legislature or either branch thereof; and shall report its conclusions, or so much of the testimony as may be desired, to the Legislature and to the Governor.

The commission may also recommend the enactment of such legislation in respect of any matter within its jurisdiction as it deems wise or needed in the public interest.

SEC. 32. IMMUNITY OF WITNESSES. No person shall be excused from testifying or from producing any books or papers in any investigation, hearing or inquiry, as conducted pursuant to this Act or the rules of the commission when directed to do so by the officer presiding at such investigation, hearing or inquiry, upon the ground that the testimony or evidence, books or documents, required of him may tend to incriminate him or subject him to penalty or forfeiture; but no person shall be prosecuted, punished

or subjected to penalty or forfeiture, for or on account of any act, transaction, matter or thing concerning which he shall under oath have testified or produced documentary evidence and no testimony so given or produced shall be received against him upon any criminal action, investigation or proceeding; *provided, however*, that no person so testifying shall be exempt from prosecution or punishment for any perjury committed by him in his testimony.

(SEC. 33. PRACTICE ON HEARINGS; ATTENDANCE AND EXAMINATION OF WITNESSES.)

SEC. 34. ORDERS AND SERVICE THEREOF. 1. If it be ascertained after an investigation or hearing conducted as herein provided that any person, association or corporation has failed to comply with or is guilty of a violation of the provisions of this Act or of any rule of the commission, or of any other general or special law relative to any matter within its jurisdiction, an order shall be executed by the commission, under the seal of the commission, compelling a compliance with, or directing a cessation of the violation of, such law or rule.

2. Every such order shall be served upon every person, association or corporation affected thereby, either by personal delivery of a certified copy thereof, or by mailing in the United States mail a certified copy thereof in a sealed package with postage prepaid to the person to be affected thereby or in case of a corporation or association, to any officer or agent thereof, upon whom a summons of a court of record may be served in an action at law.

3. It shall be the duty of every person, association and corporation upon whom such order is so served to notify the commission forthwith, in writing, of the receipt of the certified copy of every order so served, and in the case of an association or corporation such notification must be signed and acknowledged by a person or officer duly authorized by such association or corporation to admit such service. Within a time specified in the order, every person, association or corporation upon whom it is served must, if so required in the order, notify the commission in like manner whether the terms of the order are accepted and will be obeyed.

4. Every such order shall take effect at a time therein specified, and shall continue in force either for a period to be designated therein or until changed or abrogated by the commission, unless such order be unauthorized by this Act, or any other Act, or be in violation of a provision of the Constitution of the State or of the United States.

SEC. 35. REVIEW OF RULES OR ORDERS BY COMMISSION. 1. Any person, association or corporation adversely affected by a rule or order of the commission may apply to the commission by verified petition for a review of the reasonableness or validity of such rule or order. (Etc.)

SEC. 36. REVIEW BY COURT. Any person affected by a decision of the commission rendered as provided in the preceding action may institute a proceeding for the review thereof in the circuit court of the county of Sangamon or any county in which the commission shall have established a branch office. Such proceeding shall be instituted against the commission as respondent by petition and on such notice as the court may prescribe. (Etc.)

SEC. 37. WHEN INJUNCTION MAY BE OBTAINED. In an action in the circuit court for the recovery of a penalty or forfeiture incurred for the violation of any of the provisions of this Act, or of the rules of the commission, an application is made on the part of the people to the court or any judge thereof for an injunction to restrain the defendant, his agents and employees from the further violation of such provisions, the court or judge to whom such application may be made, shall grant such injunction on proof, by affidavit, that the defendant has been guilty of the violations alleged in the complaint, or of a violation of any such provisions subsequent to the commencement of the action, and in the same manner as injunctions are usually granted under the rules and practice of the court. No security on the part of the plaintiff shall be required, and costs of the application may be granted or refused in the discretion of the court or justice. If the plaintiff shall recover judgment in the action for any penalty or forfeiture demanded in the complaint, the judgment shall contain a permanent injunction restraining the defendant, his agents and employees from any further violation of such provision of this Act or of the rules of the commission. Any injunction, order or judgment obtained under this section may be served on the defendant in the manner required by the law of the State regulating the practice and procedure in courts of equity.

SEC. 38. PENALTY FOR VIOLATION OF ACT OR ORDERS — SEPARATE OFFENSES. Any person, association or corporation, or any agent, officer or employee thereof who violates or fails to comply with any provisions of this Act, or fails to obey, observe or comply with any order, decision, rule, regulation, direction or requirement, or any part or provision thereof, of the commission, made or issued under authority of this Act, in a case where a penalty is not otherwise provided for in this Act, upon conviction, shall be

punished by a fine of not less than fifty dollars nor more than one hundred dollars for each and every offense.

Every violation of the provisions of this Act or of any order, decision, rule, regulation, direction or requirement of the commission, or any part or portion thereof by any corporation or person is a separate and distinct offense and in case of a continuing violation each day's continuance thereof shall be and be deemed to be a separate and distinct offense.

In construing and enforcing the provisions of this Act relating to penalties, the act, omission, or failure of any officer, agent, or employee of such person, association or corporation, acting within the scope of his official duties or employment, shall in every case be and be deemed to be the act, omission or failure of such person, association or corporation.

SEC. 39. PERSONS VIOLATING ACT OR ORDER — PENALTY. Every person who, either individually, or acting as an officer, agent or employee of such person, association or corporation, violates or fails to comply with any provisions of this Act, or fails to observe, obey or comply with any order, decision, rule, regulation, direction or requirement, or any part or portion thereof, of the commission, made or issued under authority of this Act, or who procures, aids, or abets any such person, association or corporation in such violation of this Act or in such failure to obey, observe or comply with this Act or any such order, decision, rule, regulation, direction or requirement, or any part or portion thereof, in a case in which a penalty is not otherwise provided for in this Act, is guilty of a misdemeanor, and upon conviction shall be punished by a fine not exceeding two hundred dollars, or by imprisonment in a county jail not exceeding six months, or by both such fine and imprisonment.

SEC. 40. PROSECUTION FOR PENALTIES. 1. Whenever the commission shall know or have reason to believe that any penalty has been incurred by any person for a violation of any of the provisions of this Act, or that any sum has been forfeited by reason of any such violation, it may cause an action or proceeding to be brought in the name of the people for the recovery of the same. Such action shall be brought in the county where the violation, or any part thereof, occurred.

SEC. 41. ACTIONS FOR PENALTIES; PENALTIES REMITTED, WHEN. In an action for a penalty or forfeiture, incurred by reason of the violation of the provisions of this Act, when the complaint charges a violation of any two or more of such provisions, the plaintiff shall not be compelled to elect between the counts under such different

provisions but shall be entitled to recover if it is found that a violation of any of such provisions has been committed for which a penalty or forfeiture is imposed.

If the defendant in such an action shall prove that during any portion of the time for which it is sought to recover penalties or forfeitures for a violation of a rule or order of the commission, the defendant was actually and in good faith prosecuting a suit, action or proceeding before the commission or in the courts to set aside such rule or order, the court shall remit the penalties or forfeitures incurred during the pendency of such action or proceeding.

SEC. 42. DISPOSAL OF FINES AND MONEYS RECOVERED. All moneys recovered, either as penalties, forfeitures or otherwise, for the violation of any of the provisions of this Act or of the rules of the commission, and from fines imposed as a punishment for any criminal offense committed in violation of the provisions of this Act shall be paid into the treasury of the State. The same disposal shall be made of all moneys recovered upon any bond given by any officer by virtue of the provisions of this Act.

SEC. 43. FEES TO BE CHARGED BY COMMISSION. The commission shall charge and collect the following fees: For copies of papers and records not required to be certified or otherwise authenticated by the commission, ten cents for each folio; for certified copies of evidence and proceedings before the commission or of official documents and orders filed in its office, fifteen cents for each folio, and one dollar for every certificate under seal affixed thereto; for certifying a copy of any report made to the commission, or for each certified copy of the annual report of the commission, one dollar. No fees shall be charged or collected for copies of papers, records or official documents furnished to other departments of the State or to any city or public officers for use in their official capacity, or for the annual reports of the commission in the ordinary course of distribution, but the commission may fix reasonable charges for publications issued under its authority. All fees charged and collected by the commission shall belong to the people of the State, and shall be paid monthly accompanied by a detailed statement thereof, into the treasury of the State to the credit of the general fund.

SEC. 44. EVIDENCE; PRINCIPAL'S LIABILITY FOR ACTS OF AGENT. The doing of anything prohibited by this Act shall be *prima facie* evidence of the violation of the provisions of this Act relating to the thing so prohibited, and the omission to do anything directed to be done shall be *prima facie* evidence of a

violation of the provisions of the Act relative to the thing so directed to be done. Any person who knowingly suffers, permits or allows any violation of the provisions of this Act by his agent or servant or in any room or building occupied or controlled by him, shall be deemed a principal in such violation and liable accordingly.

SEC. 45. CERTIFICATE OF EXPERT PRESUMPTIVE EVIDENCE. Every certificate, duly signed and acknowledged, of any qualified expert employed by the commission, or any analysis, examination or investigation made by such expert with respect to any matter or product which the commission has authority to examine or cause to be examined, within the scope of this Act, shall be presumptive evidence of the facts therein stated.

ARTICLE 4

FOOD TRAFFIC ASSOCIATIONS AND CORPORATIONS; LICENSES

SEC. 46. TRADE ASSOCIATIONS, BOARDS OF TRADE AND EXCHANGES PERMITTED. After this Act takes effect, it shall be lawful to form, maintain or carry on or operate a board of trade, exchange, or association, incorporated or unincorporated composed of persons, partnerships or corporations engaged in the production, sale, purchase, storage, marketing or distribution of food products for the purposes and in the manner hereinafter provided.

SEC. 47. CONTRACTS FOR MONOPOLY ILLEGAL AND VOID. Every contract, agreement, arrangement, or combination whereby a monopoly in the production, sale, purchase, storage, marketing or distribution in this State of any article or commodity mentioned in the foregoing section is or may be created, established or maintained or whereby competition in this State in the supply or price of any such article or commodity is or may be restrained or prevented, or whereby the production of any such article or commodity is or may be curtailed, and every act done by any person, association or corporation whereby for the purpose of creating, establishing or maintaining a monopoly within this State of the production, sale, purchase, storage, marketing or distribution of any such article, or commodity, the free pursuit in this State of any lawful business, trade or occupation, is or may be restricted or prevented, is hereby declared to be against public policy and illegal and void, unless in compliance with the provisions of this article.

SEC. 48. PENALTY. Every person, or corporation, or any officer or agent thereof who shall violate any of the provisions of the

preceding section, or who shall make or attempt to make, or enter into any contract, agreement, arrangement or combination, or who shall form or carry on any board of trade, exchange, or association, whereby a monopoly in the production, sale, purchase, storage, marketing or distribution of food products in this State, or whereby competition in this State in the supply or price thereof is or may be restrained or prevented, or whereby the production thereof is or may be curtailed, or whereby for the purpose of creating, establishing or maintaining a monopoly within this State of the production, sale, purchase, storage, marketing or distribution thereof, the free pursuit in this State of the business of the production, sale, purchase, storage, marketing or distribution of food and food products is or may be restrained or prevented, or who shall do any act pursuant thereto, or in, toward, or for the consummation thereof, wherever the same may have been made, is guilty of a misdemeanor and on conviction thereof shall, if a natural person, be punished by a fine not exceeding one thousand dollars, or by imprisonment for not longer than one year, or by both such fine and imprisonment, and if a corporation, by a fine not exceeding five thousand dollars: *Provided, however*, that no act done or contract arrangement or combination made by any association, exchange or board of trade duly licensed hereunder, or by a member or members thereof, performed under and in accordance with a plan approved by the commission, as hereinafter provided, shall be deemed a violation of sections forty-seven and forty-eight of this Act, or of any other law of this State: *And, provided, further*, that this Act shall not be construed as depriving the owner of, or any person, partnership or corporation operating under the protection of any letters patent granted by the United States or by any foreign country, of any rights or interests thereby granted and lawfully exercised by such owner or other person.

Sec. 49. Action to restrain and prevent. The Attorney General or the commission may bring an action in the name and behalf of the people of the State against any person, or against any trustee, director, manager or other officer or agent of a corporation or against any corporation, foreign or domestic, to restrain and prevent the doing in this State of any act herein declared to be illegal, or any act, in or toward or for the making or consummation of any contract, agreement, arrangement or combination herein prohibited, wherever the same may have been made.

Sec. 50. Procedure. All laws of this State regulating the practice and procedure in courts of equity and all laws conferring

powers upon the Attorney General shall apply to and govern the procedure in respect to such action.

Sec. 51. Private remedies not affected. Any person, partnership, or corporation, who or which is or may be injured in his or its business or property by any other person, partnership, corporation or association by reason of anything forbidden or declared to be unlawful by this Act, may in his or its own right and name bring an action in equity to restrain or prevent the same, or at law for such damages as are sustained by such injured person, partnership or corporation by reason thereof.

Sec. 52. Plan of association. Two or more persons, partnerships or corporations, proposing to form a board of trade, exchange, union or association, incorporated or unincorporated hereinafter referred to as an "association" for coöperating in the production, sale, purchase, storage, marketing or distribution of food products may adopt a tentative plan including all or any of the following purposes: —

1. The employment of agents to act for the common interests of its members in the production, inspection, standardization, sale, purchase, storage, marketing or distribution of food products.

2. The joint purchase of the same.

3. The joint utilization of facilities tending toward the speedy and economic production, accumulation, sale, purchase, transportation, storage, marketing or distribution of the same.

4. The standardization of the quality thereof produced, sold, purchased, stored, marketed, or distributed by its members.

5. The division of territory for the economic distribution of service or operation.

6. The joint fixing and establishing of the price at which producers and manufacturers will sell food products, not exceeding a fair and reasonable return upon the capital invested and for the labor and expense required in the production thereof and providing for the adjustment of such selling prices from time to time in accordance with the supply or demand or other market influences.

7. The joint fixing and establishing of the price at which distributors will sell food products, not exceeding a fair and reasonable return upon the capital invested and for the labor and expense required in the distribution thereof, due allowance being had for the price paid to the producers and providing for the adjustment of such selling prices from time to time in accordance with the supply and demand and other market influences.

8. The elimination of waste in the production, sale, purchase, storage, marketing or distribution thereof.

9. The providing of an abundant supply of food products to the people of this State at a reasonable price.

10. The supervision, discipline and expulsion of members and for enforcing upon members by fines or other penalties compliance with the proper rules and regulations of the association.

11. Any other purpose intended to afford to producers and distributors a fair and just return for such products and for distributing the same to the consumer in an efficient and economical manner.

SEC. 53. SECTION 52 EXERCISED IN ACCORDANCE WITH SECTION 63. The powers granted in subdivisions six and seven of section fifty-two hereof shall be exercised only in accordance with the provisions of section sixty-three hereof.

SEC. 54. ADDITIONAL CONTENTS OF PLAN OF ASSOCIATION. Such plan shall also state: —

1. The name of the proposed association.

2. The town, village or city in which its principal office is to be located.

3. If its operations are to be conducted in a territory less than the whole State, the town, village or city, or other subdivision thereof, comprising such territory.

4. The character of business of the members of the association.

5. The full name and address of each member of the association and if a member be a partnership or corporation the full name and address of each member of the partnership, and the name and address of each officer and director of the corporation.

6. The manner of selecting the officers of the association and the full name and addresses of its officers for the first year.

7. The terms and conditions under which persons, partnerships and corporations not original members thereof may become members and entitled to all the privileges of the association.

8. A statement as to whether or not such association is organized for the purpose of profit. The association, if organized for profit, shall submit to the commission for approval its plan of capitalization, if any, its proposed methods of accounting and distribution of profits, assessment of losses and other financial affairs.

9. As to whether or not the association is to have a capital fund. If so, the amount thereof and the purpose to which said capital is to be applied.

10. Such other matters as may be required by the rules of the commission not inconsistent with this article.

11. Any other matters desired by the proposers of the plan and not inconsistent with law or the rules of the commission.

SEC. 55. ISSUANCE OF LICENSE. The persons, partnerships or corporations proposing to form such association, may submit such plan to the commission, together with an application for a license authorizing such association to transact business in accordance therewith. The commission, may in accordance with its rules, issue a license to such association so to transact business unless after investigation it finds that the plan proposed: —

1. Will unreasonably prevent competition by members of such association as between themselves,

2. Will not tend to accomplish a more efficient or economical production, storage, marketing or distribution of such food products,

3. Is calculated to afford unreasonable profit to producers or distributors,

4. Will tend to lower the quality or healthfulness of food products delivered to consumers,

5. Is unjustly discriminatory between persons or localities or injurious to the interests of the State,

6. Is adverse to the public welfare.

If the commission finds that the plan proposed does not conform to this article, it may suggest modifications, and upon such modifications being made may issue a license as herein provided.

SEC. 56. LICENSE FEE. The commission may by its rules prescribe the fees to be paid by a license under this article and for such purpose may adopt classifications based upon the character or volume of business. If the association is not organized for profit, the license fee shall be fixed at not exceeding twenty-five dollars per annum.

SEC. 57. TERMS OF LICENSES; RENEWALS. The commission may provide by rule, for a fixed date on which the terms of all licenses issued under this article shall expire. The terms of such license shall be for one year from such date, except that the first license of such an association may be for a term to expire on such date first succeeding or a year from such date, as the commission may determine, and the license fee, as fixed by this article, or the rules, shall be apportioned accordingly. The commission may provide by rule, the time within which applications for renewals of a license under this article shall be made.

SEC. 58. EFFECT OF LICENSE. An association licensed under

this article, and the members of such an association may transact business in accordance with the plan as approved by the commission, and in so far as such business is transacted in accordance with such plan and the rules and orders of the commission, such association and the members thereof shall not be subject to prosecution under any law of the State on the ground that its or their business is or tends to be a monopoly or a restraint of trade; or unfair competition with other persons, partnerships or corporations, but the members or officers of such association or the officers or directors of corporations which are members thereof, shall not otherwise be relieved from liability for any other act or acts forbidden by law; *provided*, that no act shall be done or agreement made which is not specifically authorized in such plan, or by the rules or orders of the commission, and which but for this article would be unlawful, unless the same is first approved by the commission.

SEC. 59. MODIFICATION OF PLAN AFTER LICENSE. The directors or other governing body of any association licensed under this article, may submit to the commission additions to or modifications of the original plan as approved by the commission, and upon the approval of such additions or modifications by the commission, the association and its members shall be authorized to transact business accordingly.

SEC. 60. REGULATION OF ASSOCIATION BY COMMISSION. 1. The books, records and places of business of the licensed association shall be at all times open to examination and inspection by the officers and inspectors of the commission.

2. The association and its members shall conform to the rules and orders of the commission in respect to inspection, standardization, handling, storage or distribution of food products, and the keeping of books, records and accounts concerning the business operations of the association.

3. The association shall permit a duly authorized representative of the commission to be present at all meetings of the directors, trustees, or other governing body of the association, and notice of every such meeting shall be given to the commission within such time and in such manner as the rules of the commission shall provide, and at such meetings a representative of the commission shall be entitled to participate in discussion and advise as to policy. Every association licensed under this article shall, within the time and in the manner required by the rules of the commission, report to the commission all changes in officers, all changes in the membership of such association, and such other

facts in respect of the business of the association as the rules of the commission may provide.

SEC. 61. INTERVENTION IN ACTIONS. In any action or proceeding brought against an association licensed under this article, the commission may intervene and appear by counsel and be made a party to such action, if, in the judgment of the commission, such intervention is advisable or necessary to the public welfare.

SEC. 62. NOTICE OF UNLAWFUL OR IRREGULAR PRACTICES; SUSPENSION OR REVOCATION OF LICENSE. If the commission determine that an association licensed under this article is not transacting business in a lawful manner, or has failed to comply with any rule or order of the commission issued in conformity with the provisions of this Act, or that the methods or practices of the association are contrary to the public welfare, the commission may cause a notice to be served upon the officers of such association, requiring the association or its members, to comply with such rule or order or to desist from such illegal or irregular practices, or any practice forbidden by this article, which enable the association or its members to secure an unjust, unfair or discriminatory trade advantage, and if such notice is not complied with within the time specified therein, the commission may suspend or revoke the license of such association if the offense complained of is committed by such association; of if committed by a member thereof, it may require the association to suspend or revoke the membership of such member in such association.

SEC. 63. PRICE AGREEMENTS AND REGULATIONS. An association formed and approved under this article may exercise the right to make price agreements as authorized in subdivisions six and seven of section fifty-two hereof, upon application to the commission and approval thereof, under the following conditions:

Such association shall submit to the commission in such form as may be required by its rules, an application setting forth the price or scale of prices which it proposes to charge for food products, and other commodities covered by this article, for a period in said application specified but not to exceed six months. Such application must be filed with the commission not less than thirty days in advance of the date when such price or prices are intended to go into effect, and such application shall be open to public inspection. Notice of the presentation shall be published in the bulletins of the Department of Agriculture and otherwise, if the commission so determine. On the presentation of any such application the commission shall investigate the same, inquire

into the circumstances thereof, and make such examination of the books, records or accounts of the association or of the members thereof formulating and presenting such application as it may deem necessary or desirable, and may require before taking action thereon, the presentation of further information. And it may, if it seems desirable for the public interests, require that notice of the presentation of application be given to other associations formed hereunder, and shall permit persons, corporations or associations affected thereby or representing consumers, producers, distributors or others to appear and be heard with reference to the same. The commission may require in connection with the examination by it of any such application, that accurate forms of accounting be installed and maintained by the association and the members thereof presenting such application so as to indicate the conditions affecting such proposed or any future fixing of prices. The commission shall examine into such application, and if after such examination it shall by order determine that such application is: —

1. Not calculated to afford unreasonable profit to the association or members thereof presenting the same;

2. Not unfair or injurious to purchasers, to consumers or to the public;

3. Not unfair or injurious to other producers, dealers or distributors.

It may grant such application. On the acceptance by the association of any such plan as so approved by the commission it shall be deemed lawful to carry out such plan during a period not exceeding the one therein specified, but the prices therein specified, shall not be retroactive. Nothing in this article shall abridge the right of any person, partnership or corporation whether or not a member of such association to make individual contracts for the purchase or sale of food products, covered by this article.

Sec. 64. Control by department. This Act and all amendments thereto and modifications thereof, if any, shall be administered by the commission created by this Act, and in its name, without any direction, supervision, or control by the director of agriculture, other than such as may be exercised by reason of his membership in said commission.

Sec. 65. Remainder of act not affected by invalidity of section. The invalidity of any section of this Act shall not affect the remainder thereof.

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